STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

Douglas A. Ducey
GOVERNOR

PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL ACCOUNTING OFFICE

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

INTRODUCTORY SECTION
(Not Covered by the Independent Auditors' Report)

	Page
Letter of Transmittal	1
Arizona State Government Organization	8
Principal State Officials	9

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	15
MANAGEMENT'S DISCUSSION AND ANALYSIS	21
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	38
Universities - Affiliated Component Units – Statement of Financial Position	40
Statement of Activities	42
Universities - Affiliated Component Units – Statement of Activities	44
Governmental Funds Financial Statements:	
Balance Sheet	45
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	46
Statement of Revenues, Expenditures and Changes in Fund Balances	47
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	48
Proprietary Funds Financial Statements:	
Statement of Net Position	50
Statement of Revenues, Expenses and Changes in Fund Net Position	52
Statement of Cash Flows	54
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	56
Statement of Changes in Fiduciary Net Position	57
Component Units Financial Statements:	
Combining Statement of Net Position	58
Combining Statement of Activities	60
Universities – Affiliated Component Units Financial Statements:	
Combining Statement of Financial Position	62
Combining Statement of Activities	63
Notes to the Financial Statements	64
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule, Expenditures – General Fund	141
Budgetary Comparison Schedule, Expenditures – Transportation and Aviation Planning, Highway Maintenance and Safety Fund	152
Notes to Required Supplementary Information – Budgetary Comparison Schedules	153
Infrastructure Assets	156
Schedule of the State's Proportionate Share of the Net Pension Liability – Arizona State Retirement System	160
Schedule of the State's Proportionate Share of the Net Pension Liability – Elected Officials' Retirement Plan	161

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONTINUED

Page

Schedule of the State's Proportionate Share of the Net Pension Liability, as a Nonemployer Contributing Entity – Elected Officials' Retirement Plan 161
Schedule of Changes in the State's Net Pension Liability and Related Ratios – PSPRS Department of Public Safety 162
Schedule of Changes in the State's Net Pension Liability and Related Ratios – CORP Department of Corrections 163
Schedule of State Pension Contributions – Arizona State Retirement System 164
Schedule of State Pension Contributions – Elected Officials' Retirement Plan 165
Schedule of State Pension Contributions, as a Nonemployer Contributing Entity – Elected Officials' Retirement Plan 165
Schedule of State Pension Contributions – PSPRS Department of Public Safety 166
Schedule of State Pension Contributions – CORP Department of Corrections 166
Notes to Required Supplementary Information – Pension Plan Schedules 167
Single-Employer OPEB Plan Funding Progress 168

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Non-major Governmental Funds:
Combining Balance Sheet 172
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 173

Non-major Special Revenue Funds:
Combining Balance Sheet 176
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 178
Budgetary Comparison Schedule, Expenditures 180

Land Endowments Fund:
Budgetary Comparison Schedule, Expenditures 186

Non-major Debt Service Funds:
Combining Balance Sheet 188
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 189

Non-major Capital Projects Fund:
Combining Balance Sheet 192
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 193

Non-major Proprietary Funds:
Non-major Enterprise Funds:
Combining Statement of Net Position 196
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 200
Combining Statement of Cash Flows 202

Internal Service Funds:
Combining Statement of Net Position 206
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 208
Combining Statement of Cash Flows 210

Fiduciary Funds:
Pension and Other Employee Benefit Trust Funds:
Combining Statement of Fiduciary Net Position 214
Combining Statement of Changes in Fiduciary Net Position 216

Investment Trust Funds:
Combining Statement of Fiduciary Net Position 220
Combining Statement of Changes in Fiduciary Net Position 222

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONCLUDED

Agency Funds: Page
Combining Statement of Assets and Liabilities 227
Combining Statement of Changes in Assets and Liabilities 228

Non-major Component Units:
Combining Statement of Net Position 232
Combining Statement of Activities 234

Non-major Universities – Affiliated Component Units:
Combining Statement of Financial Position 238
Combining Statement of Activities 240

STATISTICAL SECTION
(Not Covered by the Independent Auditors' Report)

Financial Trends:
Schedule 1 – Net Position by Component for the Last Ten Fiscal Years 246
Schedule 2 – Changes in Net Position for the Last Ten Fiscal Years 248
Schedule 3 – Fund Balances, Governmental Funds for the Last Ten Fiscal Years 252
Schedule 4 – Changes in Fund Balances, Governmental Funds for the Last Ten Fiscal Years 254

Revenue Capacity:
Schedule 5 – Net Taxable Sales by Classification for the Last Ten Fiscal Years 258
Schedule 6 – Sales Tax Revenue Payers by Classification, Current Year and Nine Years Ago 261
Schedule 7 – Personal Income by Industry for the Last Ten Calendar Years 262
Schedule 8 – Personal Income Tax Rates for the Last Ten Calendar Years 264
Schedule 9 – Personal Income Tax Filers and Liability by Income Level for the Taxable Years 2012 and 2005 264

Debt Capacity:
Schedule 10 – Ratios of Outstanding Debt by Type for the Last Ten Fiscal Years 266
Schedule 11 – Legal Debt Margin Information, Arizona Transportation Board Highway Revenue Bonds for the Last Ten Fiscal Years 268
Schedule 12 – Legal Debt Margin Information, Arizona State University, for the Last Ten Fiscal Years 268
Schedule 13 – Legal Debt Margin Information, University of Arizona, for the Last Nine Fiscal Years 269
Schedule 14 – Legal Debt Margin Information, Northern Arizona University, for the Last Nine Fiscal Years 269
Schedule 15 – Pledged-Revenue Coverage, Arizona Transportation Board Highway Revenue Bonds for the Last Ten Fiscal Years 270
Schedule 16 – Pledged-Revenue Coverage, Arizona Transportation Board Transportation Excise Tax Revenue Bonds for the Last Ten Fiscal Years 270
Schedule 17 – Pledged-Revenue Coverage, School Facilities Board State School Improvement Revenue Bonds for the Last Ten Fiscal Years 271
Schedule 18 – Pledged-Revenue Coverage, School Facilities Board State School Trust Revenue Bonds for the Last Ten Fiscal Years 271
Schedule 19 – Pledged-Revenue Coverage, Lottery Revenue Bonds for the Last Five Fiscal Years 272
Schedule 20 – Pledged-Revenue Coverage, Arizona State University Revenue Bonds for the Last Ten Fiscal Years 272
Schedule 21 – Pledged-Revenue Coverage, University of Arizona Revenue Bonds for the Last Ten Fiscal Years 273
Schedule 22 – Pledged-Revenue Coverage, Northern Arizona University Revenue Bonds for the Last Ten Fiscal Years 273

TABLE OF CONTENTS (CONCLUDED)

STATISTICAL SECTION - CONCLUDED

Demographic and Economic Information: Page

Schedule 23 – Demographic and Economic Statistics for the Last Ten Calendar Years 275
Schedule 24 – Principal Employers, Current Year and Nine Years Ago 275

Operating Information:

Schedule 25 – State Employees by Function for the Last Ten Fiscal Years 276
Schedule 26 – Operating Indicators by Function for the Last Ten Fiscal Years 278
Schedule 27 – Capital Asset Statistics by Function for the Last Ten Fiscal Years 280

INTRODUCTORY SECTION

INTRODUCTORY SECTION

Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

June 6, 2016

The Honorable Douglas A. Ducey,
Governor of the State of Arizona;
Members of the Legislature;
Scott Bales, Chief Justice of the Supreme Court;
and Citizens and Taxpayers of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2015. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the major and non-major funds of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

U.S. generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditors' Report.

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the financial reporting entity of the State is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, A.R.S. § 41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

FINANCIAL REPORTING ENTITY OF THE STATE

The accompanying CAFR includes all funds of the State (primary government), as well as its component units. Blended component units, although legally separate entities, are in substance part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units are shown separately to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units prepared in accordance with the Governmental Accounting Standards Board (GASB) are reported in a separate column in the government-wide financial statements. Discretely presented component units prepared in accordance with the Financial Accounting Standards Board are presented as separate financial statements immediately following the government-wide financial statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the GASB.

The criteria for inclusion in the financial reporting entity and presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the GASB, (Section 2100). Note 1 of the Notes to the Financial Statements explains which component units are included in the financial reporting entity of the State.

ARIZONA

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state by area, with 113,909 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

PROFILE OF THE GOVERNMENT

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a Governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), Superior Court, justice of the peace courts, and municipal courts. The Superior Court, justice of the peace courts, and municipal courts are excluded from the financial reporting entity of the State as these entities do not meet GASB criteria for inclusion. The Supreme Court is the highest court in the State and is comprised of five justices. Article 6, Section 5 of the Arizona State Constitution describes the types of cases and matters handled by the Supreme Court.

The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

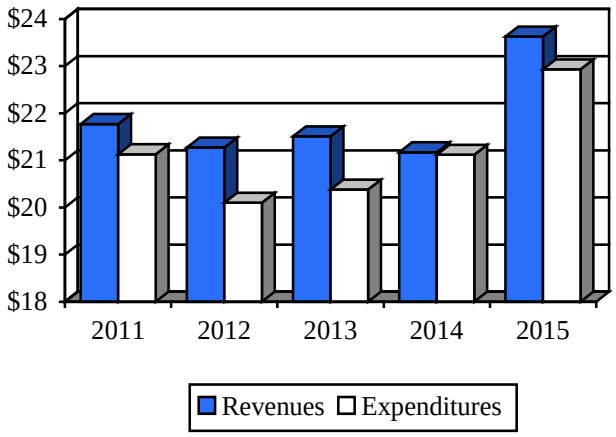
BUDGETARY CONTROLS

Budgetary control is maintained through Legislative appropriation and the Executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. The appropriated funds are controlled by the Executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations that continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

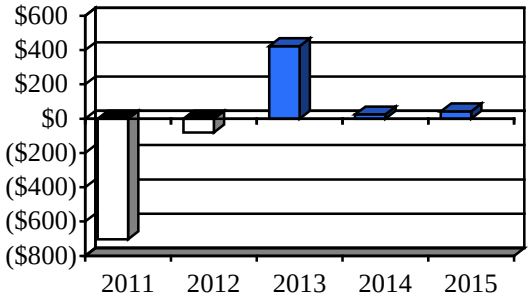
Graph 1
General Fund Revenues and Expenditures
for last 5 fiscal years
(*Dollars in billions*)



The General Fund ended the June 30, 2015 fiscal year with a total fund balance of $43.5 million. This compares to the previous year's total fund balance of $24.6 million.

Graph 2 summarizes the General Fund Balance (Deficit) for the last five fiscal years:

Graph 2
General Fund Balance (Deficit) for last 5 fiscal years
(*Dollars in millions*)



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is based on the Industry Employment Projections Presentation released on March 24, 2016, by the Office of Employment and Population Statistics within the Arizona Department of Administration.

The employment projections are organized as described below:

- Two-year employment projection period: (2015 Quarter 3 to 2017 Quarter 2)
- Projections are created from Quarterly Census of Employment and Wages (QCEW) data produced by the US Bureau of Labor Statistics
    - QCEW uses North American Industry Classification System (NAICS) codes
        - Industry (describes what the business does)
        - Six digit industry code
        - The more digits, the more detail (hierarchical)
- QCEW program is a near census of all employers and jobs covered by Unemployment Insurance Program (97% of total nonagricultural employment)
    - Remaining 3% of employment is obtained from the County Business Patterns program
- QCEW program categorizes government employees differently than the Current Employment Statistics (CES) program
    - QCEW organizes Government employees within the NAICS industry they work (Government includes Government Public Admin. workers only)
    - CES organizes Government employees within the government NAICS code regardless of industry (Government includes all Government workers)

Economic trends influencing Arizona's economy are as follows:

- Growth in real Gross Domestic Product, real personal income, employment, retail sales
- Continued drop in U.S. and Arizona's unemployment rate
    - Labor force participation rates increased while unemployment levels have declined
- Residential and commercial real estate markets in Arizona and Phoenix metropolitan area have shown improvement
- Arizona outpaced U.S. in population, nonfarm employment and real personal income growth in 2015
- Aerospace and defense sector represents a large share of Arizona's manufacturing sector
- Arizona's mining sector has seen sharp declines due to a slowdown in world commodities markets
- Arizona export markets slow down as the U.S. dollar strengthens vs foreign currencies
- Arizona economy historically dependent on population growth

The following are highlights of Arizona's industry employment forecast:

- Arizona is projected to gain 156,535 jobs over the two-year period (2.84% annual growth)
- Eleven of the twelve sectors are forecast to add jobs over the two-year period
- Professional and Business Services (PBS) sector is expected to add the largest number of jobs (34,902) over the two-year period or 4.36%
- Construction is expected to have the largest annualized percentage gain at 6.6% (17,732 jobs)
- Sectors with the largest expected gains are: Professional and Business Services (34,902 jobs), Educational and Health Services (31,428 jobs), Trade, Transportation and Utilities (23,414 jobs), Leisure and Hospitality (22,594 jobs), and Construction (17,732 jobs)

The following tables summarize Arizona's sector employment growth rates and industry shares information:

Annual Growth Rate (Compound)

	2013 Q3 -2015 Q2(a)	**2015 Q3 - 2017 Q2(b)**
Total All Industries	2.41%	2.84%
Natural Resources and Mining	0.19%	(2.74%)
Construction	1.25%	6.66%
Manufacturing	0.53%	0.66%
Trade, Transportation, and Utilities	2.20%	2.24%
Information	3.72%	3.27%
Financial Activities	3.19%	3.74%
Professional and Business Services	2.34%	4.36%
Education and Health Services	1.91%	2.74%
Leisure and Hospitality	4.04%	3.47%
Other Services (Except Government)	1.62%	1.21%
Government	(0.45%)	0.18%
Unclassified	8.08%	2.18%

Annual Growth Rate (Compound)

	2015 Q2(a)	**2017 Q2(b)**	**Employment Change**
Total All Industries	2,718,515	2,875,050	156,535
Natural Resources and Mining	33,673	31,852	(1,821)
Construction	128,777	146,509	17,732
Manufacturing	156,776	158,842	2,066
Trade, Transportation, and Utilities	517,566	540,980	23,414
Information	46,617	49,716	3,099
Financial Activities	189,261	203,668	14,407
Professional and Business Services	391,482	426,384	34,902
Education and Health Services	565,750	597,178	31,428
Leisure and Hospitality	320,397	342,991	22,594
Other Services (Except Government)	72,295	74,060	1,765
Government	150,867	151,421	554
Unclassified	145,056	151,446	6,390

Arizona Major Industry Shares

	Base Employment 2015 Q2(a)	**Projected Employment 2017 Q2(b)**
Education and Health Services	20.9%	20.8%
Trade, Transportation, and Utilities	19.0%	18.8%
Professional and Business Services	14.4%	14.8%
Leisure and Hospitality	11.8%	11.9%
Financial Activities	7.0%	7.1%
Manufacturing	5.8%	5.5%
Unclassified	5.3%	5.3%
Government	5.5%	5.3%
Construction	4.7%	5.1%
Other Services (Except Government)	2.7%	2.6%
Information	1.7%	1.7%
Natural Resources and Mining	1.2%	1.1%

a) Historical
b) Forecast

MAJOR INITIATIVES

The Major Initiatives for the year ended June 30, 2015, were as follows:

- The fiscal year 2015 budget included $20 million for performance-based, Student Success Funding.
- Arizona State University and Northern Arizona University received $27.5 million towards completing the parity funding initiative designed to bring them on par with per-pupil funding at the University of Arizona.
- $80 million was appropriated to the Arizona Health Care Cost Containment System to restore Medicaid coverage to the childless adult population.
- The Department of Child Safety was created and received a one-time appropriation of $25 million to cover transition costs and the replacement of the Department of Economic Security Data Center facility. Additionally, the Department received an increase of $120.2 million to hire new staff and meet newly established expectations of increased performance and outcomes.
- $70 million was appropriated for large-scale statewide automation and technology projects. Of this amount, $26.5 million was for the third year of the four year project to replace the State's antiquated financial and accounting system, which had its last day of active use on June 30, 2015.
- Fiscal year 2015 saw a $15 million appropriation for capital projects.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2014. This was the eleventh consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, council, administration, office, institution of higher education, and all other organizations within the reporting entity.

Craig C. Brown
Director

D. Clark Partridge
State Comptroller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

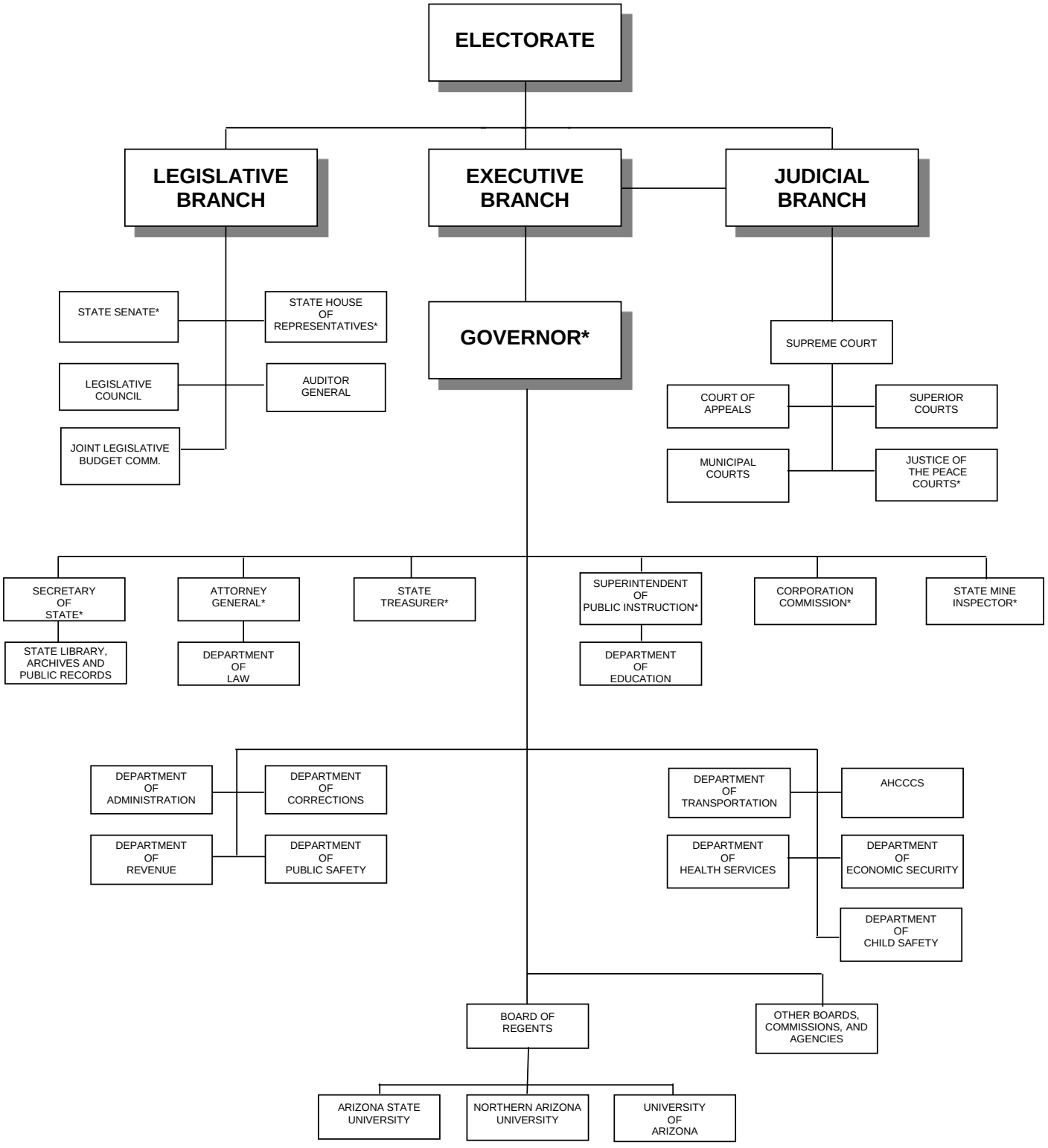
State of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2015

ELECTED OFFICIALS – as of June 30, 2015

Douglas A. Ducey, Governor
Senator Andy Biggs, President of the Senate
Representative David M. Gowan Sr., Speaker of the House
Michele Reagan, Secretary of State
Mark Brnovich, Attorney General
Joe Hart, State Mine Inspector
Jeff DeWit, State Treasurer
Diane Douglas, Superintendent of Public Instruction
Susan Bitter Smith, Chairman – Corporation Commission
Tom Forese, Commissioner – Corporation Commission
Doug Little, Commissioner – Corporation Commission
Bob Stump, Commissioner – Corporation Commission
Bob Burns, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of June 30, 2015

Executive Officials

Kevin Donnellan, Acting Director – Department of Administration
Charles L. Ryan, Director – Department of Corrections
Timothy Jeffries, Director – Department of Economic Security
Greg McKay, Director – Department of Child Safety
David Raber, Director – Department of Revenue
Frank Milstead, Director – Department of Public Safety
Dr. Cara Christ, Director – Department of Health Services
Tom Betlach, Director – Arizona Health Care Cost Containment System
John Halikowski, Director – Department of Transportation

Judicial Officials

Scott Bales, Chief Justice – Supreme Court

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council
Richard Stavneak, Director – Joint Legislative Budget Committee
Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

University Officials

Dr. Michael M. Crow, President – Arizona State University
Dr. Rita Cheng, President – Northern Arizona University
Dr. Ann W. Hart, President – University of Arizona

ELECTED OFFICIALS – as of June 6, 2016

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Senator Andy Biggs, President of the Senate
Representative David M. Gowan Sr., Speaker of the House
Michele Reagan, Secretary of State
Mark Brnovich, Attorney General
Joe Hart, State Mine Inspector
Jeff DeWit, State Treasurer
Diane Douglas, Superintendent of Public Instruction
Doug Little, Chairman – Corporation Commission
Tom Forese, Commissioner – Corporation Commission
Andy Tobin, Commissioner – Corporation Commission
Bob Stump, Commissioner – Corporation Commission
Bob Burns, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of June 6, 2016

Executive Officials

Craig Brown, Director – Department of Administration
Charles L. Ryan, Director – Department of Corrections
Timothy Jeffries, Director – Department of Economic Security
Greg McKay, Director – Department of Child Safety
David Briant, Director – Department of Revenue
Frank Milstead, Director – Department of Public Safety
Dr. Cara Christ, Director – Department of Health Services
Tom Betlach, Director – Arizona Health Care Cost Containment System
John Halikowski, Director – Department of Transportation

Judicial Officials

Scott Bales, Chief Justice – Supreme Court

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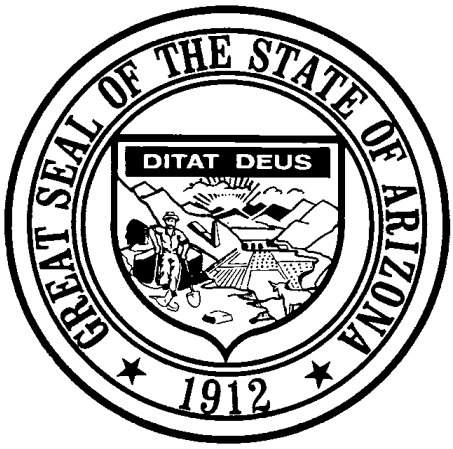
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FINANCIAL SECTION

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Doug Ducey, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable David M. Gowan Sr., Speaker
Arizona House of Representatives

The Honorable Scott Bales, Chief Justice
Arizona Supreme Court

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, the State's retirement plans, and the aggregate discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion Unit/Department	Assets/Deferred Outflows of Resources	Revenues/Additions/ Other Financing Sources
Government-wide Statements		
Governmental Activities		
Arizona Department of Transportation	62.30%	11.03%
Arizona Health Care Cost Containment System	2.84%	20.94%
Early Childhood Development and Health Board	1.07%	0.45%
Business-type Activities		
Arizona Correctional Industries	0.25%	0.72%
Arizona Department of Transportation	0.91%	0.10%
Arizona State Lottery	0.75%	12.81%
Aggregate Discretely Presented Component Units	100.00%	100.00%
Fund Statements		
Major Governmental Funds:		
General Fund		
Arizona Department of Transportation	0.14%	0.01%
Arizona Health Care Cost Containment System	26.59%	23.71%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund		
Arizona Department of Transportation	100.00%	100.00%
Aggregate Remaining Fund Information		
Arizona Correctional Industries	0.04%	0.41%
Arizona Department of Transportation	0.67%	12.06%
Arizona Health Care Cost Containment System	0.13%	4.43%
Arizona State Lottery	0.13%	7.22%
Arizona State Retirement System	65.30%	29.37%
Corrections Officer Retirement Plan	3.15%	1.94%
Early Childhood Development and Health Board	0.69%	1.23%
Elected Officials' Retirement Plan	0.63%	0.48%
Public Safety Personnel Retirement System	12.14%	8.28%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those departments, retirement plans, and component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Arizona Power Authority and the Universities—Affiliated Component Units, except for those of the ASU Preparatory Academy, Inc., which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1.Q. and Note 9 to the financial statements, for the year ended June 30, 2015, the State adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

As discussed in Note 9 to the financial statements, for the year ended June 30, 2015, the State restated beginning net position of the other enterprise funds and business-type activities as a result of the reclassification of the Insurance Department Guaranty Funds, previously reported as agency funds. Our opinions are not modified with respect to this matter.

As discussed in Note 16.I. to the financial statements, for the year ended June 30, 2015, the State restated beginning net position for the discretely presented component units as a result of the University of Arizona Health Network no longer meeting the requirements for inclusion in the State's financial reporting entity. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 21 through 34, the Budgetary Comparison Schedules on pages 141 through 155, Infrastructure Assets information on pages 156 through 159, Schedules of the State's Proportionate Share of the Net Pension Liability—Cost-Sharing Pension Plans on pages 160 and 161, Schedule of Changes in the State's Net Pension Liability and Related Ratios—Agent Pension Plans on pages 162 and 163, Schedules of State Pension Contributions on pages 164 through 166, related notes on page 167, and the Schedule of Single Employer OPEB Plan Funding Progress on page 168, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

June 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

- The assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources at the close of the fiscal year by $23.0 billion (reported as net position). Of this amount, a deficit of $5.5 billion exists for unrestricted net position, $8.0 billion is restricted for specific purposes (restricted net position), and $20.5 billion is net investment in capital assets.
- As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the State recorded $841.7 million deferred outflows of resources, $4.9 billion net pension liability, and $623.0 million deferred inflows of resources for the primary government. This was the primary reason for a $4.4 billion adjustment to unrestricted beginning net position for fiscal year 2015. After adjustments, the State's total net position increased in fiscal year 2015 by $1.7 billion. Net position of governmental activities increased by $1.2 billion, while net position of the business-type activities increased by $442.4 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $7.6 billion, an increase of $244.6 million from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of $5.2 billion, $1.8 billion, and $924.9 million, respectively, the State's unassigned fund balance had a deficit of $336.7 million, or (4%) of combined fund balances.
- As of the close of the fiscal year, unassigned fund balance for the General Fund had a deficit of $306.8 million, which is approximately (1%) of total General Fund expenditures.
- The Land Endowments Fund reported fund balance at fiscal year-end of $5.1 billion, an increase of $303.1 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- The enterprise funds reported net position at fiscal year-end of $2.6 billion, an increase of $423.6 million during the year. In addition, beginning net position was restated (reduced) by $1.2 billion primarily due to the implementation of GASB 68.

Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to $10.0 billion, a decrease of $35.2 million or (0.35%). Changes during the year included the addition of revenue bonds and certificates of participation (COPs) of $1.5 billion and $206.7 million, respectively. Also, the State retired $1.4 billion of revenue bonds and $415.0 million of certificates of participation. Included in the change in long-term primary government debt are increases and decreases in net issuance premiums of $268.5 million and $103.5 million, respectively.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 38**.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Position (pages 38-39) presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The Statement of Financial Position (page 40) presents the State's Universities-affiliated component units' assets and liabilities, with the difference between the two reported as net assets.

The Statements of Activities (pages 42-44) present information showing how the State's net position/net assets changed during the most recent fiscal year. All changes in net position/net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Government-wide statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State's three universities are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. The Water Infrastructure Finance Authority, the Arizona Power Authority, the Rio Nuevo Multipurpose Facilities District, the Greater Arizona Development Authority, and the Arizona Commerce Authority are discretely presented component units reported by the State. The State has included component units affiliated with the Universities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP), as adopted by the Financial Accounting Standards Board. These organizations include the Arizona State University Foundation, the University of Arizona Foundation, the Arizona Capital Facilities Finance Corporation, and other non-major component units affiliated with the Universities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the Governmental Accounting Standards Board (GASB), and include a statement of financial position **(page 40)** and a statement of activities **(page 44)**. See **pages 65-69 and 129-137** for more information on discretely presented component units.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on **page 45** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 172** begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – each category uses different accounting approaches.

- *Governmental funds* – Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules **(pages 46 and 48-49)** that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 45 and 47 of this report.

- *Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – such as the State's Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities – such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is presented at the end of the propriety fund financial statements on **pages 51-52**.

Proprietary fund financial statements can be found on pages 50-55 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on **page 56**. These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 56-57 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 65 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information (RSI) that further explains and supports the information in the financial statements. The RSI includes budgetary expenditure comparison schedules for the General Fund and each major special revenue fund and a reconciliation of the schedules of statutory and U.S. GAAP expenditures for the fiscal year. The RSI also includes up to ten years of information on the State's pension plans, including schedules on the State's proportionate share of the net pension liability, changes in the net pension liability and related ratios, and State pension contributions. The RSI also includes schedules of condition and maintenance data regarding certain portions of the State's infrastructure and the single-employer benefit plan funding progress schedule.

Required supplementary information begins on page 141 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, all fiduciary funds, non-major component units, and non-major universities – affiliated component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as are major funds on the governmental funds and proprietary funds financial statements. Budgetary expenditure comparison schedules for the non-major special revenue funds and the Land Endowment Fund are also included.

Other supplementary information begins on page 172 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized, as follows, based on the information included in the government-wide financial statements. In order to compare fiscal year 2015 and fiscal year 2014 financial results, the State has presented fiscal year 2014 information restated to the extent possible for GASB 68, as indicated previously on **page 21**, and for other accounting changes.

State of Arizona-Primary Government
Net Position as of June 30, 2015 and 2014
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2015	2014, as restated	2015	2014, as restated	2015	2014, as restated
Current assets	$ 5,817,169	$ 5,746,818	$ 1,699,254	$ 1,380,976	$ 7,516,423	$ 7,127,794
Capital assets	22,239,504	21,624,109	4,846,738	4,493,718	27,086,242	26,117,827
Other non-current assets	6,459,576	6,339,643	2,520,682	2,005,169	8,980,258	8,344,812
Total Assets	34,516,249	33,710,570	9,066,674	7,879,863	43,582,923	41,590,433
Deferred outflows of resources	738,264	243,207	281,812	134,689	1,020,076	377,896
Current liabilities	4,563,488	4,598,785	725,014	694,889	5,288,502	5,293,674
Non-current liabilities	10,010,602	10,313,259	5,470,623	5,066,223	15,481,225	15,379,482
Total Liabilities	14,574,090	14,912,044	6,195,637	5,761,112	20,769,727	20,673,156
Deferred inflows of resources	405,567	-	457,055	-	862,622	-
Net position:						
Net investment in capital assets	18,790,871	18,053,540	1,661,466	1,581,436	20,452,337	19,634,976
Restricted	7,170,289	6,829,299	895,616	723,590	8,065,905	7,552,889
Unrestricted	(5,686,304)	(5,841,106)	138,712	(51,586)	(5,547,592)	(5,892,692)
Total Net Position	$ 20,274,856	$ 19,041,733	$ 2,695,794	$ 2,253,440	$ 22,970,650	$ 21,295,173

For the year ended June 30, 2015, the State's combined net position totaled $23.0 billion, reflecting an increase of $1.7 billion during the current fiscal year.

The largest portion of the State's net position (89%) represents net investment in capital assets of $20.5 billion. Additions to roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of $737.3 million. The State uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

The State's net position also included $8.1 billion (35%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net position of $341.0 million is primarily the result of an increase of $294.9 million in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund. The business-type activities increase in restricted net position of $172.0 million is primarily due to an increase of $140.1 million in the amount restricted for the Unemployment Compensation Fund, which will be used to pay future unemployment claims.

After accounting for the above net position restrictions, the State has a remaining deficit of $5.5 billion (24%) reported as unrestricted net position.

More detailed information regarding beginning net position restatements is on page 122.

State of Arizona-Primary Government
Changes in Net Position for Fiscal Years June 30, 2015 and 2014
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2015	2014, as restated	2015	2014, as restated	2015	2014, as restated
Revenues:						
Program revenues:						
Charges for services	$ 1,124,046	$ 936,923	$ 3,649,357	$ 3,381,353	$ 4,773,403	$ 4,318,276
Operating grants and contributions	13,200,146	12,172,836	1,320,612	1,343,922	14,520,758	13,516,758
Capital grants and contributions	706,089	546,680	43,321	41,250	749,410	587,930
General revenues:						
Sales taxes	6,290,950	5,948,055	64,757	63,669	6,355,707	6,011,724
Income taxes	4,430,602	3,963,197	-	-	4,430,602	3,963,197
Tobacco taxes	314,522	314,313	-	-	314,522	314,313
Property taxes	52,241	41,215	-	-	52,241	41,215
Motor vehicle and fuel taxes	1,694,779	1,650,579	-	-	1,694,779	1,650,579
Other taxes	560,920	547,481	-	-	560,920	547,481
Unrestricted investment earnings	87,115	79,215	37,839	108,296	124,954	187,511
Unrestricted grants and contributions	39,847	37,926	-	107	39,847	38,033
Gain on sale of trust land	97,231	83,695	-	-	97,231	83,695
Miscellaneous revenue	232,658	176,035	138,931	78,837	371,589	254,872
Total Revenues	28,831,146	26,498,150	5,254,817	5,017,434	34,085,963	31,515,584
Expenses:						
General government	923,659	763,830	-	-	923,659	763,830
Health and welfare	14,296,714	12,768,332	-	-	14,296,714	12,768,332
Inspection and regulation	159,874	160,797	-	-	159,874	160,797
Education	5,859,267	5,573,656	-	-	5,859,267	5,573,656
Protection and safety	1,568,732	1,408,049	-	-	1,568,732	1,408,049
Transportation	786,028	791,006	-	-	786,028	791,006
Natural resources	204,939	200,868	-	-	204,939	200,868
Intergovernmental revenue sharing	2,966,400	2,778,299	-	-	2,966,400	2,778,299
Interest on long-term debt	230,871	279,525	-	-	230,871	279,525
Universities	-	-	4,378,481	4,078,053	4,378,481	4,078,053
Industrial Commission Special Fund	-	-	-	36,895	-	36,895
Other business-type activities	-	-	1,041,261	1,130,299	1,041,261	1,130,299
Total Expenses	26,996,484	24,724,362	5,419,742	5,245,247	32,416,226	29,969,609
Excess (deficiency) before contributions, extraordinary item, and transfers	1,834,662	1,773,788	(164,925)	(227,813)	1,669,737	1,545,975
Contributions to permanent endowments	-	-	5,740	6,561	5,740	6,561
Extraordinary item:						
Insurance recovery	-	-	-	3,900	-	3,900
Transfers	(601,539)	(578,361)	601,539	578,361	-	-
Change in Net Position	1,233,123	1,195,427	442,354	361,009	1,675,477	1,556,436
Net Position - Beginning, as restated	19,041,733	17,846,306	2,253,440	1,892,431	21,295,173	19,738,737
Net Position - Ending	$ 20,274,856	$ 19,041,733	$ 2,695,794	$ 2,253,440	$ 22,970,650	$ 21,295,173

Change in Net Position

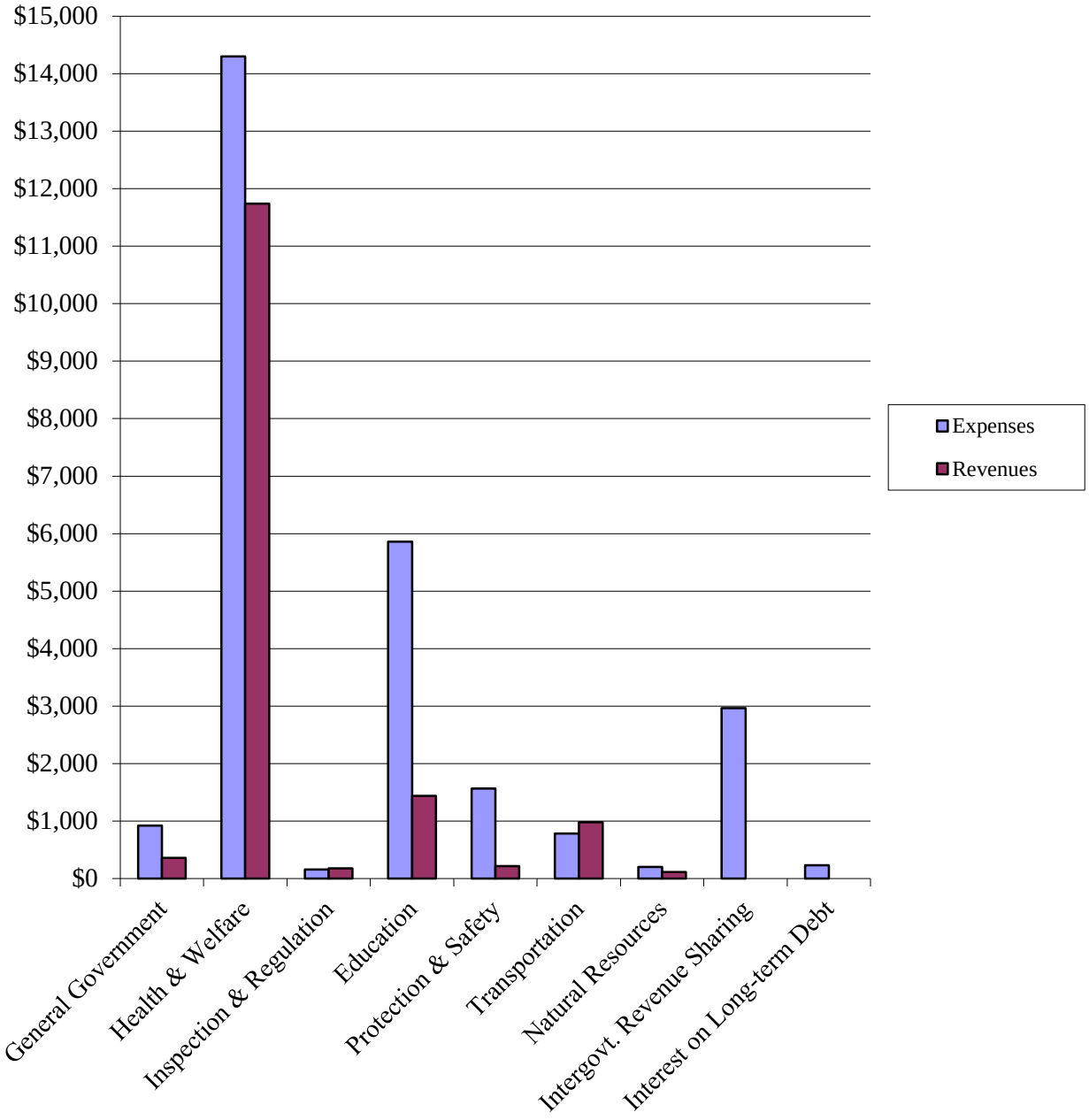
Governmental Activities – Net Position increased by $1.2 billion from fiscal year 2014, or a 6% increase from fiscal year 2014. Reported sales and income tax revenues increased by $342.9 million, or 6%, and $467.4 million, or 12%, from fiscal year 2014, respectively. The increase in tax collections generally reflects increased economic activity in the State during fiscal year 2015. Net taxable sales increased by 4% from fiscal year 2014 resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2015 were in retail sales, restaurants and bars, and use tax. The increase in income tax revenue for the State during fiscal year 2015 reflects increases in withholding, individual, and corporate tax collections as well as decreases in refunds. During fiscal year 2015, operating grants and contributions increased by $1.0 billion (8%) over fiscal year 2014. This increase primarily results from enhanced federal financial participation matching rates for increased enrollment in Arizona Health Care Cost Containment System (AHCCCS) programs due to implementation of the Patient Protection and Affordable Care Act of 2010 (ACA) beginning January 1, 2014. AHCCCS experienced an increase of 200,860 members (13.3%) over fiscal year 2014 primarily as a result of ACA expansion and the simultaneous ending of the Childless Adult program enrollment freeze beginning January 1, 2014. The increase in operating grants and contributions discussed above was offset by a decrease of $346.9 million in the fair value of the Permanent Fund investment portfolio from fiscal year 2014. The increase in health and welfare expenses of $1.5 billion resulted primarily from the increased enrollment in the AHCCCS programs, as discussed above.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2014 and 2015. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Governmental Activities
(expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2015	2014	2015	2014
Functions/Programs:				
General government	$ 923,659	$ 763,830	$ 564,883	$ 482,170
Health and welfare	14,296,714	12,768,332	2,556,725	2,640,807
Inspection and regulation	159,874	160,797	(17,986)	(17,184)
Education	5,859,267	5,573,656	4,418,766	3,723,347
Protection and safety	1,568,732	1,408,049	1,350,881	1,121,604
Transportation	786,028	791,006	(196,291)	(26,646)
Natural resources	204,939	200,868	91,954	86,001
Intergovernmental revenue sharing	2,966,400	2,778,299	2,966,400	2,778,299
Interest on long-term debt	230,871	279,525	230,871	279,525
Total Governmental Activities	$26,996,484	$ 24,724,362	$11,966,203	$ 11,067,923

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2015
(in millions of dollars)



Business-type Activities – Net Position increased by $442.4 million from fiscal year 2014, or 20%. This increase is primarily due to increases in net position for the Universities and the Unemployment Compensation Fund of $285.9 million and $140.1 million, respectively. Non-operating revenues and transfers from the General Fund more than offset the Universities' operating loss of $1.2 billion. The Universities' operating revenues increased by $321.3 million over fiscal year 2014 primarily due to approved student tuition and fee increases, increased enrollment, and increased

nongovernmental grant and contract revenue. The increase in nongovernmental grant and contract revenue was mainly attributed to the U of A's affiliation agreement with Banner Health. Also, State appropriation transfers to the Universities from the General Fund increased by $37.6 million over fiscal year 2014. This increase resulted primarily from increased parity funding to the Arizona State University and additional appropriations for the University of Arizona College of Agriculture extension program. These increases were offset by increases in expenses for instruction, academic support, and scholarships and fellowships. Expense increases resulted from continued enrollment growth, as well as U of A's affiliation agreement with Banner Health and other research support. Also, although the Unemployment Compensation Fund's unemployment assessment revenue remained stable, cost of sales and benefits decreased $132.7 million as compared to the prior fiscal year due to the decline in unemployment levels.

A comparison of the net cost (income) of services by function for the State's business-type activities is shown below for fiscal years 2014 and 2015. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Business-type Activities
(expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2015	2014	2015	2014
Functions/Programs:				
Universities	$ 4,378,481	$ 4,078,053	$ 711,314	$ 722,356
Industrial Commission Special Fund	-	36,895	-	8,434
Other	1,041,261	1,130,299	(304,862)	(252,068)
Total Business-type Activities	$ 5,419,742	$ 5,245,247	$ 406,452	$ 478,722

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The general government functions are contained in the general, special revenue, debt service, capital projects, and permanent funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2015, unassigned fund balance of the General Fund had a deficit of $306.8 million, while total fund balance closed the year at $43.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents a negative 1% of total expenditures and other financing uses, while total fund balance is less than 1% of the same amount.

The fund balance of the State's General Fund increased $18.9 million during the fiscal year. Revenues exceeded expenditures by $703.1 million, before other financing sources and uses. However, other financing sources and uses mostly offset this excess by $684.2 million, which consist primarily of transfers to the Universities in support of higher education, offset by legislative transfers from other funds to the General Fund. Overall revenues increased by $2.5 billion (12%) and expenditures increased by $1.8 billion (9%) from fiscal year 2014. Primary reasons for increases in fund balance during the fiscal year are increased collections of sales and income taxes and increased intergovernmental revenue, including federal funding received as a result of the AHCCCS implementation of the ACA. A primary reason for decreases in fund balance during the fiscal year is increased health and welfare expenditures. These increases and decreases were discussed in the government-wide financial analysis beginning on **page 25**.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance increased $57.4 million during fiscal year 2015. Although revenues exceeded expenditures by $361.8 million, transfers to non-major governmental funds of $305.4 million, to primarily pay debt service, largely offset this excess. Overall revenue increased by $258.1 million (10%), however, expenditures also increased by $250.3 million (11%), as compared to the prior fiscal year.

Land Endowments Fund

The Land Endowments Fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. The Land Endowments Fund total fund balance increased $303.1 million during fiscal year 2015. Endowment investments increased $296.8 million, at fiscal year-end, primarily due to receipts from land sales of $123.5 million and a net increase in the fair value of investments of $251.7 million.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial analysis beginning on **page 25**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Differences between the original budget and the final amended budget resulted in a $2.1 billion net increase in appropriations for the General Fund, before adjustments. Some of the significant changes in the General Fund appropriations were:

1. $492.2 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
2. $957.2 million increase to the Department of Education's original budget is primarily due to the basic state aid deferred payment from fiscal year 2014 which was appropriated as a supplemental appropriation in the fiscal year 2015 budget.
3. $274.8 million increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for Proposition 204 services, due to enrollment in excess of budgetary projections, and for safety net care pool payments to assist Phoenix Children's Hospital.
4. $229.0 million increase to the Universities' original budget is primarily due to payment deferrals from fiscal year 2014, which were budgeted in fiscal year 2015, and for lease-purchase capital financing for research infrastructure facilities.
5. $91.4 million increase to the Department of Economic Security's original budget is primarily due to payment deferrals from fiscal year 2014, which were appropriated as a supplemental appropriation in the fiscal year 2015 budget, as well as supplemental appropriations for certain Title XIX programs.
6. $41.4 million increase to the Department of Administration's original budget is primarily due to supplemental appropriation increases for the replacement of the State's financial and accounting system.

The actual expenditures were less than the final budget by $1.1 billion, after adjustments. Of this amount, $119.1 million will continue as legislative multiple fiscal year spending authority for fiscal years 2016 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining $1.0 billion represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 141-151 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totaled $27.1 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 4%, with a 3% increase in capital assets used for governmental activities and an 8% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $412.0 million.

Major capital asset activity during the current fiscal year included the following:

- The Universities' additions to capital assets totaled $639.7 million and included increased investments in buildings to support instruction, research, and public service missions, as well as building renewal and other capital projects.

- The ADOT started or completed roads and bridges totaling $2.6 billion during the fiscal year.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund-level financial statements as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2015 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 3,115,924	$ 3,046,110	$ 247,066	$ 229,637	$ 3,362,990	$ 3,275,747
Buildings	2,338,928	2,315,821	5,672,653	* 5,300,980	8,011,581	7,616,801
Improvements other than buildings	202,685	172,687	19,713	* 23,092	222,398	195,779
Equipment	852,394	826,478	1,600,405	* 1,551,345	2,452,799	2,377,823
Software and other intangibles	251,041	251,407	134,756	* 131,982	385,797	383,389
Collections (non-depreciable)	-	-	20,228	20,114	20,228	20,114
Infrastructure	15,755,456	13,801,205	533,792	478,015	16,289,248	14,279,220
Construction in progress	1,459,732	2,916,383	341,760	* 289,275	1,801,492	3,205,658
Development in progress	105,439	58,567	60,804	* 9,885	166,243	68,452
Less: accumulated depreciation	(1,842,095)	(1,764,549)	(3,784,439)	(3,540,607)	(5,626,534)	(5,305,156)
Total	$ 22,239,504	$ 21,624,109	$ 4,846,738	$ 4,493,718	$ 27,086,242	$ 26,117,827

* The fiscal year 2014 amounts have been reclassified for comparison with fiscal year 2015 amounts.

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, which the ADOT is responsible for maintaining, using the modified approach as described in Note 1.G. Assets accounted for under the modified approach include 6,800 center lane miles of roads (21,390 travel lane miles) and 4,798 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.68 was achieved for fiscal year 2015.

The State manages its bridges using the Arizona Bridge Information and Storage System. The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5% or better. In fiscal year 2015, a CRI of 93.5% was achieved.

In addition to many smaller projects, each of the following major highway construction projects in excess of $10.0 million were started during fiscal year 2015 (expressed in thousands):

Description	Contract Start Date	Contract Amount	Current Year Expenditures
Capacity additions/reconstruction/emergency reconstruction on US 89	7/11/2014	$ 22,252	$ 24,979
Addition of general purpose lanes on State Route 202, State Route 101 to Broadway Road	9/12/2014	109,177	99,412
Traffic interchange at State Route 303 and US 60	11/14/2014	46,062	20,049
Traffic interchange at State Route 303 and El Mirage Road	11/14/2014	19,886	4,333
Capacity additions/major widening on US 93 from State Route 71 to State Route 89	12/12/2014	12,482	4,165
Pavement rehabilitation/widening on State Route 264 at Cross Canyon at State Route 191	3/20/2015	12,309	1,027
Bridge replacement/widening on State Route 89 Hell Canyon Bridge, structure #483	3/20/2015	14,357	2,040
Pavement Rehabilitation Interstate 40 Willow Ranch Rd to Mile Post 92	5/17/2015	11,798	446

Furthermore, the following major highway construction projects had expenditures in excess of $15.0 million in fiscal year 2015. These project expenditures include payments made to construction contractors (as shown below) as well as utility, design, right-of-way, and landscaping costs (expressed in thousands):

Location Description	Contract Start Date	Project Expenditures
Addition of general purpose lanes on State Route 202, State Route 101 to Broadway Road	9/12/2014	$ 83,756
Capacity additions/reconstruction on State Route 303 from US 60 to Happy Valley Road	6/13/2014	29,310
Capacity additions/major widening on State Route 101 from Shea Boulevard to State Route 202	6/13/2014	27,710
Capacity additions/reconstruction/emergency reconstruction on US 89	7/11/2014	21,100
Capacity additions/major widening on State Route 77 from Tangerine Road to the Pinal County Line	4/11/2014	21,007
Traffic interchange at State Route 303 and US 60	11/14/2014	18,089
System preservation/reconstruction US 89 from State Route 64 to the Little Colorado River	10/11/2013	15,614

More detailed information regarding capital assets is on pages 90 and 91.

Long-term debt:

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9, Section 5, provides that the State may contract debts not to exceed $350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

Major long-term debt activity during the current fiscal year included the following:

- The ADOT issued revenue refunding bonds totaling $754.3 million to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.

- The Universities issued revenue bonds for $705.8 million to fund the acquisition, construction, or renovation of capital facilities and infrastructure, and to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates. Additionally, the Universities issued $206.7 million refunding certificates of participation to obtain debt service savings by taking advantage of lower market interest rates.

State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2015
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014, as restated	2015	2014	2015	2014, as restated
Revenue bonds	$ 3,141,190	$ 3,406,195	$ 2,675,430	$ 2,302,035	$ 5,816,620	$ 5,708,230
Grant anticipation notes	194,670	247,710	637,986	-	832,656	247,710
Certificates of participation	2,030,805	2,200,675	168,960	676,345	2,199,765	2,877,020
Capital leases	408,784	423,513	2,805	132,957	411,589	556,470
Total	$ 5,775,449	$ 6,278,093	$ 3,485,181	$ 3,111,337	$ 9,260,630	$ 9,389,430

More detailed information regarding long-term debt begins on page 107.

ECONOMIC CONDITION AND OUTLOOK

The Office of Employment and Population Statistics within the Department of Administration is forecasting the State to gain a projected 156,535 nonfarm jobs, representing annual growth rate of 2.8%, over the two-year projected employment period of 2015 (quarter 3) to the 2017 (quarter 2).

The State's fiscal year 2016 General Fund budget reflects projected growth in base revenues of 3.8%. The net ongoing revenues are projected to decrease from $9.4 billion in fiscal year 2015 to $9.1 billion in fiscal year 2016. General Fund spending is projected to decrease from $9.3 billion in fiscal year 2015 to $9.1 billion in fiscal year 2016. The budget includes decreased spending by the Universities for lump sum reductions by campus, reductions to local jurisdictions by shifting the Department of Revenue costs to counties and cities, and shifting the Department of Juvenile Corrections costs to counties, and reductions of net administrative adjustment spending and revertments. The General Fund fiscal year 2016 ending balance is projected to be a $35 million shortfall. However, General Fund revenue collections have been stronger than forecast. These gains have the potential to at least offset the $35 million shortfall.

Legislative discussions on the fiscal year 2016 General Fund budget also included analyzing the impact of budget decisions on estimated fiscal year 2017 and 2018 spending.

The fiscal year 2017 General Fund budget is forecasted to have revenues of $9.3 billion and expenditures of $9.3 billion, with a $23 million shortfall. After accounting for legislation enacted separately from the budget and technical adjustments, fiscal year 2017 revenues are projected to be $9.2 billion compared to the same spending of $9.3 billion. The fiscal year 2017 shortfall is estimated to be $50 million, assuming the $35 million fiscal year 2016 shortfall is separately resolved. The structural shortfall for fiscal year 2017 is estimated to be $150 million. The fiscal year 2017 spending includes statutory formula caseload growth and annualization of new policy changes. Fiscal year 2017 ongoing revenues are primarily based on a 4-sector consensus growth rate of 4.4%, but also incorporate separately enacted tax law changes.

The fiscal year 2018 General Fund budget is forecasted to have revenues of $9.6 billion and expenditures of $9.5 billion, with a $27 million surplus. After accounting for legislation enacted separately from the budget and technical adjustments, fiscal year 2018 revenues are projected to be $9.5 billion compared to the same spending of $9.5 billion. The fiscal year 2018 shortfall is estimated to be $8 million, assuming the $50 million fiscal year 2017 shortfall is separately resolved. The structural shortfall for fiscal year 2018 is also estimated to be $8 million. The fiscal year 2018 spending includes statutory formula caseload growth. There are no new policy issues with incremental fiscal year 2018 costs or savings. Fiscal year 2018 ongoing revenues reflect the 4-sector consensus growth rate of 5.1%, further adjusted for previously enacted tax law changes.

The Budget Stabilization Fund is expected to have a balance of $460 million at the end of fiscal year 2016, which could be used to offset any shortfall in fiscal year 2017 or 2018.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at http://www.gao.az.gov/financials/.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 65**.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2015
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 3,148	$ 243,044	$ 246,192	$ 22,865
Cash with U.S. Treasury	-	135,098	135,098	-
Cash and pooled investments with State Treasurer	3,197,866	115,926	3,313,792	301,717
Restricted cash and pooled investments with State Treasurer	367,645	78,733	446,378	-
Cash held by trustee	-	-	-	18,937
Collateral investment pool	501,317	26,239	527,556	5,005
Short-term investments	-	409,689	409,689	-
Restricted investments held by trustee	-	-	-	5,203
Receivables, net of allowances:				
Taxes	503,587	95,805	599,392	3,597
Interest	226,581	2,423	229,004	10,171
Loans and notes	261,388	4,036	265,424	4,148
Other	155,531	198,043	353,574	13,994
Internal balances	(274,196)	274,196	-	-
Due from U.S. Government	558,671	80,383	639,054	-
Due from local governments	126,843	-	126,843	-
Due from others	153,758	-	153,758	-
Inventories, at cost	18,971	20,393	39,364	-
Other current assets	16,059	15,246	31,305	1,684
Total Current Assets	5,817,169	1,699,254	7,516,423	387,321
Noncurrent Assets:				
Restricted assets:				
Cash	26	15,705	15,731	-
Cash and pooled investments with State Treasurer	1,198,341	-	1,198,341	11,965
Cash held by trustee	21,278	315,291	336,569	16,849
Investments	3,210	-	3,210	-
Investments held by trustee	-	498,098	498,098	7,758
Receivables, net of allowances:				
Loans and notes	21,539	31,689	53,228	1,098,277
Other	-	10,411	10,411	-
Securities held in escheat	60,401	-	60,401	-
Investments	-	1,188,988	1,188,988	94,647
Endowment investments	5,154,781	428,243	5,583,024	-
Other noncurrent assets	-	32,257	32,257	606
Capital assets:				
Infrastructure, land, and other non-depreciable	20,413,664	669,858	21,083,522	7,321
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,825,840	4,176,880	6,002,720	31,803
Total Noncurrent Assets	28,699,080	7,367,420	36,066,500	1,269,226
Total Assets	34,516,249	9,066,674	43,582,923	1,656,547
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	648,942	192,710	841,652	382
Loss on debt refundings	89,322	72,330	161,652	53,123
Interest rate swap	-	16,772	16,772	-
Future benefits and advances	-	-	-	27,491
Total Deferred Outflows of Resources	738,264	281,812	1,020,076	80,996

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA

STATEMENT OF NET POSITION

JUNE 30, 2015

(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 559,722	$ 178,030	$ 737,752	$ 10,900
Payable for securities purchased	-	1,592	1,592	-
Accrued liabilities	777,891	81,231	859,122	8,663
Obligations under securities loan agreements	501,317	26,239	527,556	5,005
Tax refunds payable	1,474	900	2,374	-
Due to U.S. Government	7,892	83	7,975	-
Due to local governments	1,401,566	-	1,401,566	-
Due to others	416,126	75,881	492,007	-
Due to component units	-	985	985	-
Unearned revenue	98,443	166,804	265,247	-
Current portion of accrued insurance losses	60,177	27,088	87,265	-
Current portion of long-term debt	557,316	140,677	697,993	58,230
Current portion of other long-term liabilities	181,564	25,504	207,068	110
Total Current Liabilities	4,563,488	725,014	5,288,502	82,908
Noncurrent Liabilities:				
Unearned revenue	87,977	-	87,977	2,191
Accrued insurance losses	397,212	443,515	840,727	-
Funds held for others	-	25,839	25,839	-
Net OPEB obligation	17,809	10,607	28,416	-
Net pension liability	3,607,014	1,299,644	4,906,658	2,733
Long-term debt	5,732,709	3,575,682	9,308,391	870,446
Derivative instrument - interest rate swap	-	16,772	16,772	-
Other long-term liabilities	167,881	98,564	266,445	-
Total Noncurrent Liabilities	10,010,602	5,470,623	15,481,225	875,370
Total Liabilities	14,574,090	6,195,637	20,769,727	958,278
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	405,567	217,472	623,039	665
Resources received before time requirements met	-	239,331	239,331	-
Gain on debt refundings	-	252	252	-
Total Deferred Inflows of Resources	405,567	457,055	862,622	665
NET POSITION				
Net investment in capital assets	18,790,871	1,661,466	20,452,337	35,738
Restricted for:				
General government	40,230	-	40,230	-
Health and welfare	195,105	-	195,105	-
Inspection and regulation	3,735	-	3,735	-
Education	448,936	-	448,936	-
Protection and safety	23,674	-	23,674	-
Natural resources	11,209	-	11,209	-
Unemployment Compensation	-	197,670	197,670	-
Capital projects	798,538	6,125	804,663	-
Debt service	-	17,943	17,943	98,469
Permanent funds and University funds:				
Expendable	191,338	336,999	528,337	-
Nonexpendable	5,436,617	225,837	5,662,454	-
Loans and other financial assistance:				
Expendable	20,907	78,770	99,677	593,904
Other	-	32,272	32,272	31,048
Unrestricted (deficit)	(5,686,304)	138,712	(5,547,592)	19,441
Total Net Position	$ 20,274,856	$ 2,695,794	$ 22,970,650	$ 778,600

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2015
(Expressed in Thousands)

ASSETS		
Cash and cash equivalent investments	$	101,152
Receivables:		
Pledges receivable		177,359
Other receivables		42,813
Total receivables		220,172
Investments:		
Investments in securities		1,719,267
Other investments		64,227
Total investments		1,783,494
Net direct financing leases		72,123
Property and equipment, net of accumulated depreciation		329,041
Other assets		67,770
Total Assets		2,573,752
LIABILITIES		
Accounts payable and accrued liabilities		46,634
Liability under endowment trust agreements		358,385
Long-term debt		519,688
Deferred revenue		28,310
Other liabilities		50,411
Total Liabilities		1,003,428
NET ASSETS		
Permanently restricted		985,246
Temporarily restricted		501,532
Unrestricted		83,546
Total Net Assets	$	1,570,324

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 923,659	$ 188,356	$ 170,420	$ -
Health and welfare	14,296,714	411,914	11,319,093	8,982
Inspection and regulation	159,874	157,624	20,236	-
Education	5,859,267	67,480	1,373,021	-
Protection and safety	1,568,732	118,424	99,427	-
Transportation	786,028	113,163	172,279	696,877
Natural resources	204,939	67,085	45,670	230
Intergovernmental revenue sharing	2,966,400	-	-	-
Interest on long-term debt	230,871	-	-	-
Total Governmental Activities	26,996,484	1,124,046	13,200,146	706,089
Business-type Activities:				
Universities	4,378,481	2,303,791	1,320,055	43,321
Other	1,041,261	1,345,566	557	-
Total Business-type Activities	5,419,742	3,649,357	1,320,612	43,321
Total Primary Government	$ 32,416,226	$ 4,773,403	$ 14,520,758	$ 749,410
COMPONENT UNITS:				
Water Infrastructure Finance Authority	$ 36,611	$ 34,177	$ 24,109	
Other Component Units	64,323	31,107	9,219	
Total Component Units	$ 100,934	$ 65,284	$ 33,328	
General Revenues:				
Taxes:				
Sales				
Income				
Tobacco				
Property				
Motor vehicle and fuel				
Other				
Unrestricted investment earnings				
Unrestricted grants and contributions				
Gain on sale of trust land				
Payments from State of Arizona				
Miscellaneous				
Contributions to permanent endowments				
Transfers				
Total General Revenues, Contributions, and Transfers				
Change in Net Position				
Net Position - Beginning, as restated				
Net Position - Ending				

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (564,883)		$ (564,883)	
(2,556,725)		(2,556,725)	
17,986		17,986	
(4,418,766)		(4,418,766)	
(1,350,881)		(1,350,881)	
196,291		196,291	
(91,954)		(91,954)	
(2,966,400)		(2,966,400)	
(230,871)		(230,871)	
(11,966,203)		(11,966,203)	
	$ (711,314)	(711,314)	
	304,862	304,862	
	(406,452)	(406,452)	
(11,966,203)	(406,452)	(12,372,655)	
			$ 21,675
			(23,997)
			(2,322)
6,290,950	64,757	6,355,707	9,768
4,430,602	-	4,430,602	-
314,522	-	314,522	-
52,241	-	52,241	-
1,694,779	-	1,694,779	-
560,920	-	560,920	13,869
87,115	37,839	124,954	7,314
39,847	-	39,847	58
97,231	-	97,231	-
-	-	-	37,164
232,658	138,931	371,589	3
-	5,740	5,740	-
(601,539)	601,539	-	-
13,199,326	848,806	14,048,132	68,176
1,233,123	442,354	1,675,477	65,854
19,041,733	2,253,440	21,295,173	712,746
$ 20,274,856	$ 2,695,794	$ 22,970,650	$ 778,600

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Contributions	$ 24,198	$ 198,111	$ 74,221	$ 296,530
Rental revenue	49,301	-	-	49,301
Sales and services	83,352	110	-	83,462
Net investment income	6,671	7,593	7,668	21,932
Grants and aid	15,616	-	-	15,616
Other revenues	26,291	4,077	-	30,368
Net assets released from restrictions	224,317	(181,105)	(43,212)	-
Total Revenues	429,746	28,786	38,677	497,209
EXPENSES				
Program services:				
Payments to Universities	174,895	-	-	174,895
Leasing related expenses	9,679	-	-	9,679
Payments on behalf of Universities	22,601	-	-	22,601
Other program services	9,109	-	-	9,109
Management and general expenses	124,790	-	-	124,790
Fundraising expenses	11,524	-	-	11,524
Interest	21,921	-	-	21,921
Depreciation and amortization	23,004	-	-	23,004
Other expenses	12,563	-	-	12,563
Total Expenses	410,086	-	-	410,086
Increase in Net Assets, before extraordinary items	19,660	28,786	38,677	87,123
Extraordinary items (Primarily equity transfers)	31,892	-	-	31,892
Increase in Net Assets, after extraordinary items	51,552	28,786	38,677	119,015
Net Assets - Beginning, as restated	31,794	473,418	946,097	1,451,309
Transfers	200	(672)	472	-
Net Assets - Ending	$ 83,546	$ 501,532	$ 985,246	$ 1,570,324

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	$ 1,467	$ -	$ 28	$ 1,653	$ 3,148
Cash and pooled investments with State Treasurer	1,683,137	167,083	101,105	802,652	2,753,977
Collateral investment pool	34,644	-	456,978	9,695	501,317
Receivables, net of allowances:					
Taxes	345,093	80,335	-	78,159	503,587
Interest	1,532	-	224,708	341	226,581
Loans and notes	18,878	3,904	260,145	-	282,927
Other	106,604	13,732	2,754	25,215	148,305
Due from U.S. Government	491,924	50,634	-	16,113	558,671
Due from local governments	126,426	417	-	-	126,843
Due from others	153,758	-	-	-	153,758
Due from other Funds	33,213	21,930	544	76,149	131,836
Inventories, at cost	9,915	6,341	-	-	16,256
Restricted assets:					
Cash	26	-	-	-	26
Cash and pooled investments with State Treasurer	40,530	910,915	-	614,541	1,565,986
Cash held by trustee	4,048	-	-	17,230	21,278
Investments	3,210	-	-	-	3,210
Securities held in escheat	60,401	-	-	-	60,401
Endowment investments	-	-	5,154,781	-	5,154,781
Other	101	-	-	-	101
Total Assets	$ 3,114,907	$ 1,255,291	$ 6,201,043	$ 1,641,748	$ 12,212,989
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 311,091	$ 92,591	$ 8,886	$ 19,436	$ 432,004
Accrued liabilities	443,789	8,083	7	48,430	500,309
Obligations under securities loan agreements	34,644	-	456,978	9,695	501,317
Tax refunds payable	568	-	-	906	1,474
Due to U.S. Government	7,892	-	-	-	7,892
Due to local governments	1,136,677	117,234	-	147,655	1,401,566
Due to others	401,812	-	1	14,313	416,126
Due to other Funds	284,251	7,852	6,256	22,376	320,735
Unearned revenue	74,915	-	110,172	1,301	186,388
Total Liabilities	2,695,639	225,760	582,300	264,112	3,767,811
Deferred Inflows of Resources:					
Unavailable revenue	375,787	819	473,489	814	850,909
Fund Balances:					
Nonspendable	9,168	6,341	5,175,215	-	5,190,724
Restricted	241,919	809,095	-	764,358	1,815,372
Committed	99,145	213,276	-	612,464	924,885
Unassigned	(306,751)	-	(29,961)	-	(336,712)
Total Fund Balances	43,481	1,028,712	5,145,254	1,376,822	7,594,269
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,114,907	$ 1,255,291	$ 6,201,043	$ 1,641,748	$ 12,212,989

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(Expressed in Thousands)

Total fund balances - governmental funds		$ 7,594,269
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		22,154,653
Certain revenues collected after year-end are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds.		850,909
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		(247,730)
The allocation of the internal service fund accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds.		(79,709)
Deferred outflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental funds. These amounts consist of:		
Loss on refunding of debt	89,322	
Related to pensions	642,376	731,698
Certain liabilities and related accrued interest are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. These amounts consist of:		
Net OPEB	(17,809)	
Net pension	(3,563,991)	
Revenue bonds	(3,141,190)	
Grant anticipation notes	(194,670)	
Certificates of participation	(2,030,805)	
Accrued interest on certificates of participation	(26,992)	
Capital leases	(402,841)	
Installment purchase contracts	(349)	
Notes payable	(22,179)	
Premium on debt	(492,048)	
Compensated absences	(169,022)	
Pollution remediation obligations	(19,713)	(10,081,609)
Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds.		(249,581)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental funds.		(398,044)
Net position of governmental activities		$ 20,274,856

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 5,469,062	$ 254,871	$ -	$ 557,353	$ 6,281,286
Income	4,398,892	-	-	36	4,398,928
Tobacco	64,363	-	-	250,159	314,522
Property	41,646	8,595	-	2,000	52,241
Motor vehicle and fuel	7,093	1,564,789	-	122,897	1,694,779
Other	465,805	-	-	95,115	560,920
Intergovernmental	12,632,194	869,156	-	105,300	13,606,650
Licenses, fees, and permits	92,008	101,523	2,984	289,816	486,331
Hospital and nursing facility assessments	-	-	-	291,324	291,324
Earnings on investments	24,044	9,386	208,010	53,685	295,125
Sales and charges for services	100,375	10,821	48,142	34,215	193,553
Fines, forfeitures, and penalties	16,780	-	-	135,948	152,728
Gaming	6,372	-	-	83,140	89,512
Tobacco settlement	99,975	-	-	-	99,975
Proceeds from sale of trust land	-	-	123,483	-	123,483
Other	212,021	11,603	4,553	26,345	254,522
Total Revenues	23,630,630	2,830,744	387,172	2,047,333	28,895,879
EXPENDITURES					
Current:					
General government	692,764	-	-	150,395	843,159
Health and welfare	13,828,725	-	5,058	554,366	14,388,149
Inspection and regulation	42,164	-	-	116,331	158,495
Education	5,045,965	-	48,514	762,911	5,857,390
Protection and safety	1,139,230	-	1,886	261,109	1,402,225
Transportation	1	671,544	-	28,535	700,080
Natural resources	65,993	-	3,700	119,609	189,302
Intergovernmental revenue sharing	1,810,749	1,155,651	-	-	2,966,400
Debt service:					
Principal	127,469	86,413	-	346,615	560,497
Interest and other fiscal charges	46,038	960	-	223,874	270,872
Capital outlay	128,439	554,367	163	100,957	783,926
Total Expenditures	22,927,537	2,468,935	59,321	2,664,702	28,120,495
Excess (Deficiency) of Revenues Over Expenditures	703,093	361,809	327,851	(617,369)	775,384
OTHER FINANCING SOURCES (USES)					
Transfers in	267,554	-	291	588,601	856,446
Transfers out	(952,780)	(305,410)	(24,993)	(109,118)	(1,392,301)
Proceeds from sale of capital assets	-	259	-	-	259
Capital lease and installment purchase contracts	1,025	-	-	-	1,025
Refunding bonds issued	-	-	-	754,285	754,285
Proceeds from notes and loans	-	783	-	-	783
Payment to refunded bond escrow agent	-	-	-	(900,813)	(900,813)
Premium on debt issued	-	-	-	149,554	149,554
Total Other Financing Sources (Uses)	(684,201)	(304,368)	(24,702)	482,509	(530,762)
Net Change in Fund Balances	18,892	57,441	303,149	(134,860)	244,622
Fund Balances - Beginning	24,589	971,271	4,842,105	1,511,682	7,349,647
Fund Balances - Ending	$ 43,481	$ 1,028,712	$ 5,145,254	$ 1,376,822	$ 7,594,269

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 244,622
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. Also, infrastructure was adjusted to primarily reflect reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital outlay to non-capital. This is the amount by which capital outlays exceeded depreciation and infrastructure adjustments in the current period.		
Capital outlay	783,926	
Infrastructure adjustment	(51,430)	
Depreciation expense	(119,086)	613,410
The net expense of the internal service funds allocable to governmental activities is included in the Statement of Activities.		(34,054)
Net change in certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds.		
Sales taxes	9,664	
Income taxes	31,674	
Operating grants	(89,593)	
Other revenue	138	(48,117)
Trust land sales are financed with long-term mortgages. In the Statement of Activities, the gain on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In fiscal year 2015, mortgage payments received exceeded gains resulting from current year land sales. In addition, accrued interest on land sales contracts is reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds.		
Excess of mortgage receipts over gain on sale of land	(26,252)	
Accrued interest on land sales' contracts	9,486	(16,766)
Pension contributions are reported as expenditures in the governmental funds in the fiscal year contributed. However, current year contributions are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the State's current fiscal year-end financial statements. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension contributions made during fiscal year 2015	230,075	
Pension expense and pension-related grant expense	(414,141)	(184,066)

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

(Expressed in Thousands)

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

AHCCCS accrued programmatic costs	106,400	
Compensated absences	(4,116)	
Pollution remediation obligations	808	
Interest on long-term obligations	1,397	
OPEB obligations	(17,809)	
Other expenses	(12,655)	74,025

Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Refunding bonds issued	(754,285)	
Proceeds from notes and loans	(783)	
Premium on debt issued	(149,554)	(904,622)

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities and deferred outflows of resources in the Statement of Net Position. Governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities. In the current year, these amounts consist of:

Debt service principal	560,497	
Payment to refunded bond escrow agent	900,813	
Debt premium/discount amortization	49,226	
Amortization of deferred losses on refundings	(10,621)	1,499,915

Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as other financing sources in the governmental funds; however, these amounts are reported as liabilities in the Statement of Net Position. In addition, certain internal service fund vehicle purchases were financed by leases executed through governmental funds. The vehicles financed through capital leases and transferred to internal service funds are recognized as contributed capital and are, therefore, included in internal service funds' net expense. However, for government-wide reporting, the effect of this contributed capital is eliminated.

Governmental funds capital leases and installment purchase contracts	(1,025)	
Internal service fund vehicle purchases financed by governmental fund leases	(10,199)	(11,224)

Change in net position of governmental activities		$ 1,233,123

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	
ASSETS				
Current Assets:				
Cash	$ 206,604	$ 36,440	$ 243,044	$ -
Cash with U.S. Treasury	-	135,098	135,098	-
Cash and pooled investments with State Treasurer	47,535	68,391	115,926	443,889
Restricted cash and pooled investments with State Treasurer	-	78,733	78,733	-
Collateral investment pool	-	26,239	26,239	-
Short-term investments	136,847	272,842	409,689	-
Receivables, net of allowances:				
Taxes	-	95,805	95,805	-
Interest	852	1,571	2,423	-
Loans and notes	4,036	-	4,036	-
Other	164,039	34,004	198,043	7,226
Due from U.S. Government	80,310	73	80,383	-
Due from other Funds	222,335	185	222,520	2,212
Inventories, at cost	8,562	11,831	20,393	2,715
Other current assets	14,633	613	15,246	15,958
Total Current Assets	885,753	761,825	1,647,578	472,000
Noncurrent Assets:				
Restricted assets:				
Cash	15,705	-	15,705	-
Cash held by trustee	315,291	-	315,291	-
Investments held by trustee	498,098	-	498,098	-
Receivables, net of allowances:				
Loans and notes	31,689	-	31,689	-
Other	10,411	-	10,411	-
Investments	922,571	266,417	1,188,988	-
Endowment investments	428,243	-	428,243	-
Other noncurrent assets	22,398	9,859	32,257	-
Capital assets:				
Land and other non-depreciable	663,979	5,879	669,858	11
Buildings, equipment, and other depreciable, net of accumulated depreciation	4,145,321	31,559	4,176,880	84,840
Total Noncurrent Assets	7,053,706	313,714	7,367,420	84,851
Total Assets	7,939,459	1,075,539	9,014,998	556,851
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	185,178	7,532	192,710	6,566
Loss on debt refundings	72,330	-	72,330	-
Interest rate swap	16,772	-	16,772	-
Total Deferred Outflows of Resources	274,280	7,532	281,812	6,566

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 167,881	$ 10,149	$ 178,030	$ 127,718
Payable for securities purchased	-	1,592	1,592	-
Accrued liabilities	48,482	32,749	81,231	1,009
Obligations under securities loan agreements	-	26,239	26,239	-
Tax refunds payable	-	900	900	-
Due to U.S. Government	-	83	83	-
Due to others	30,214	45,667	75,881	-
Due to component units	-	985	985	-
Due to other Funds	-	28,033	28,033	7,800
Unearned revenue	164,611	2,193	166,804	32
Current portion of accrued insurance losses	-	27,088	27,088	60,177
Current portion of long-term debt	140,677	-	140,677	1,328
Current portion of other long-term liabilities	23,638	1,866	25,504	11,356
Total Current Liabilities	575,503	177,544	753,047	209,420
Noncurrent Liabilities:				
Accrued insurance losses	-	443,515	443,515	397,212
Funds held for others	25,839	-	25,839	-
Net OPEB obligation	10,607	-	10,607	-
Net pension liability	1,256,618	43,026	1,299,644	43,023
Long-term debt	3,575,682	-	3,575,682	4,615
Derivative instrument - interest rate swap	16,772	-	16,772	-
Other long-term liabilities	98,472	92	98,564	149,354
Total Noncurrent Liabilities	4,983,990	486,633	5,470,623	594,204
Total Liabilities	5,559,493	664,177	6,223,670	803,624
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	209,739	7,733	217,472	7,523
Resources received before time requirements met	239,331	-	239,331	-
Gain on debt refundings	252	-	252	-
Total Deferred Inflows of Resources	449,322	7,733	457,055	7,523
NET POSITION				
Net investment in capital assets	1,624,029	37,437	1,661,466	84,851
Restricted for:				
Unemployment Compensation	-	197,670	197,670	-
Capital projects	6,125	-	6,125	-
Debt service	17,943	-	17,943	-
Universities fund:				
Expendable	336,999	-	336,999	-
Nonexpendable	225,837	-	225,837	-
Loans and other financial assistance:				
Expendable	-	78,770	78,770	-
Other	-	32,272	32,272	-
Unrestricted (deficit)	(6,009)	65,012	59,003	(332,581)
Total Net Position	$ 2,204,924	$ 411,161	$ 2,616,085	$ (247,730)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			79,709	
Net position of business-type activities			$ 2,695,794	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES -
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
OPERATING REVENUES				
Sales and charges for services:				
Student tuition and fees, net of scholarship allowances of $539,959	$ 1,781,332	$ -	$ 1,781,332	$ -
Auxiliary enterprises, net of scholarship allowances of $53,215	403,793	-	403,793	-
Educational department	118,666	-	118,666	-
Other	-	858,314	858,314	1,024,315
Unemployment assessments	-	461,007	461,007	-
Workers' compensation assessments	-	14,561	14,561	-
Intergovernmental	519,624	-	519,624	-
Nongovernmental grants and contracts	218,345	-	218,345	-
Fines, forfeitures, and penalties	-	1,972	1,972	-
Settlement income	-	9,712	9,712	-
Other	64,965	3,316	68,281	63
Total Operating Revenues	3,106,725	1,348,882	4,455,607	1,024,378
OPERATING EXPENSES				
Cost of sales and benefits	1,168,415	936,092	2,104,507	780,854
Scholarships and fellowships	238,539	-	238,539	-
Personal services	2,583,367	43,632	2,626,999	38,710
Contractual services	-	27,719	27,719	22,682
Depreciation and amortization	274,610	3,605	278,215	14,692
Insurance	-	726	726	92,565
Other	-	9,705	9,705	8,980
Total Operating Expenses	4,264,931	1,021,479	5,286,410	958,483
Operating Income (Loss)	(1,158,206)	327,403	(830,803)	65,895
NON-OPERATING REVENUES (EXPENSES)				
Share of State sales tax revenues	64,757	-	64,757	-
Intergovernmental	303,572	-	303,572	-
Gifts and donations	288,713	-	288,713	-
Gain on sale of capital assets	46,862	4	46,866	1,240
Investment income	37,203	1,193	38,396	4
Endowment earnings on investments	(10,199)	-	(10,199)	-
Other non-operating revenue	21,530	2,254	23,784	968
Distributions	-	(14,944)	(14,944)	-
Interest expense	(122,444)	(942)	(123,386)	-
Other non-operating expense	(9,814)	(3,896)	(13,710)	(29,112)
Total Non-Operating Revenues (Expenses)	620,180	(16,331)	603,849	(26,900)
Income (Loss) Before Contributions, and Transfers	(538,026)	311,072	(226,954)	38,995
Capital grants and contributions	43,321	-	43,321	11,343
Contributions to permanent endowments	5,740	-	5,740	-
Transfers in	774,910	222,956	997,866	-
Transfers out	-	(396,327)	(396,327)	(65,684)
Change in Net Position	285,945	137,701	423,646	(15,346)
Total Net Position - Beginning, as restated	1,918,979	273,460	2,192,439	(232,384)
Total Net Position - Ending	$ 2,204,924	$ 411,161	$ 2,616,085	$ (247,730)

Change in net position of enterprise funds	$ 423,646
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	18,708
Change in net position of business-type activities	$ 442,354

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES -
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ -	$ 551,659	$ 551,659	$ -
Receipts from assessments	-	479,325	479,325	-
Receipts from student tuition and fees	1,736,280	-	1,736,280	-
Receipts from sales and services of auxiliary enterprises	404,673	-	404,673	-
Receipts from sales and services of educational departments	115,995	-	115,995	-
Receipts from interfund services / premiums	-	-	-	1,032,563
Receipts from grants and contracts	750,152	-	750,152	-
Receipts from student loans collected	7,503	-	7,503	-
Receipts from settlement income	-	9,712	9,712	-
Payments to suppliers, prize winners, claimants, or insurance companies	(1,159,312)	(659,508)	(1,818,820)	(872,990)
Payments to employees	(2,502,943)	(57,272)	(2,560,215)	(37,173)
Payments to retirees	-	-	-	(12,194)
Payments for scholarships and fellowships	(244,035)	-	(244,035)	-
Payments for student loans issued	(5,998)	-	(5,998)	-
Other receipts	59,417	3,647	63,064	646
Other payments	-	(12,847)	(12,847)	(29,112)
Net Cash Provided (Used) by Operating Activities	(838,268)	314,716	(523,552)	81,740
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Receipts from custodial funds	326,560	-	326,560	-
Receipts from share of State sales tax	66,190	-	66,190	-
Receipts from grants and contributions	1,757,714	-	1,757,714	-
Transfers from other Funds	720,617	222,956	943,573	-
Custodial funds disbursed	(327,948)	-	(327,948)	-
Grants and contributions disbursed	(904,038)	-	(904,038)	-
Distributions	-	(14,944)	(14,944)	-
Interest paid on loan due to U.S. Government	-	(975)	(975)	-
Transfers to other Funds	-	(397,943)	(397,943)	(65,684)
Other receipts	12,820	-	12,820	-
Net Cash Provided (Used) by Non-capital Financing Activities	1,651,915	(190,906)	1,461,009	(65,684)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	54,989	16	55,005	2,969
Proceeds from capital debt, installment purchase contracts, and capital leases	680,752	-	680,752	5,511
Receipts from federal subsidy	15,071	-	15,071	-
Receipts from capital grants and contributions	40,975	-	40,975	-
Receipts from insurance recoveries	-	-	-	385
Transfers from other Funds	33,160	-	33,160	-
Acquisition and construction of capital assets	(549,351)	(1,479)	(550,830)	(7,641)
Interest paid on capital debt, installment purchase contracts, and capital leases	(129,693)	-	(129,693)	(37)
Principal paid on capital debt, installment purchase contracts, and capital leases	(276,156)	-	(276,156)	(444)
Net Cash Provided (Used) by Capital and Related Financing Activities	(130,253)	(1,463)	(131,716)	743

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES -
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	351,886	279,190	631,076	-
Interest and dividends from investments	24,929	12,626	37,555	4
Change in cash collateral received from securities lending transactions	-	(18,661)	(18,661)	-
Purchase of investments	(910,726)	(371,649)	(1,282,375)	-
Equity interest in Thunderbird	(17,000)	-	(17,000)	-
Net Cash Provided (Used) by Investing Activities	(550,911)	(98,494)	(649,405)	4
Net Increase in Cash and Cash Equivalents	132,483	23,853	156,336	16,803
Cash and Cash Equivalents - Beginning, as restated	452,652	321,048	773,700	427,086
Cash and Cash Equivalents - Ending	$ 585,135	$ 344,901	$ 930,036	$ 443,889
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (1,158,206)	$ 327,403	$ (830,803)	$ 65,895
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	274,610	3,605	278,215	14,692
Provision for uncollectible accounts	-	40	40	-
Miscellaneous income (expense)	(7,758)	157	(7,601)	(28,492)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	(21,716)	(2,224)	(23,940)	3,960
(Increase) decrease in due from U.S. Government	-	(1)	(1)	3,600
(Increase) decrease in due from other Funds	-	(13)	(13)	654
(Increase) decrease in inventories, at cost	(34)	1,771	1,737	458
(Increase) decrease in other assets	532	52	584	(10,426)
(Increase) in deferred pension outflows of resources	(105,072)	(4,728)	(109,800)	(3,761)
Increase (decrease) in accounts payable	23,749	1,421	25,170	(8,683)
Increase in accrued liabilities	26,323	7,509	33,832	128
(Decrease) in due to U.S. Government	-	(12,921)	(12,921)	-
Increase in due to other Funds	-	56	56	7,786
(Decrease) in due to others	-	(794)	(794)	-
Increase (decrease) in unearned revenue	1,761	(91)	1,670	908
Increase (decrease) in accrued insurance losses	-	(13,541)	(13,541)	28,060
Increase in net OPEB obligation	10,607	-	10,607	-
(Decrease) in net pension liability	(92,803)	(943)	(93,746)	(2,278)
Increase in other liabilities	-	225	225	1,716
Increase in deferred pension inflows of resources	209,739	7,733	217,472	7,523
Net Cash Provided (Used) by Operating Activities	$ (838,268)	$ 314,716	$ (523,552)	$ 81,740
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets through capital leases	$ 35,000	$ -	$ 35,000	$ 5,511
Contribution of capital assets from other Funds	-	-	-	11,343
Gifts and conveyances of capital assets	8,899	-	8,899	-
Gain (loss) on disposal of capital assets, net	46,874	(12)	46,862	-
Unrealized loss on endowments	(5,136)	-	(5,136)	
(Decrease) in fair value of investments	(10,579)	(13,095)	(23,674)	-
Amortization of bond discount	(1,856)	-	(1,856)	-
Amortization of bond premium	3,884	-	3,884	-
Amortization of unearned rent	470	-	470	-
Refinancing long-term debt	505,304	-	505,304	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ 582,860	$ (13,107)	$ 569,753	$ 16,854

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS	AGENCY FUNDS
ASSETS			
Cash	$ 404,530	$ -	$ 19,143
Cash and pooled investments with State Treasurer	-	613	105,944
Short-term investments	-	-	6,258
Receivables, net of allowances:			
Accrued interest and dividends	64,531	3,173	43
Securities sold	138,279	-	-
Forward contracts receivable	14,922	-	-
Contributions	90,099	-	-
Court fees	3,436	-	-
Due from other Funds	10,380	-	-
Other	45,461	-	-
Total receivables	367,108	3,173	43
Investments, at fair value:			
Temporary investments	1,417,771	-	-
Fixed income securities	8,375,155	2,813,149	-
Corporate stocks	24,037,501	-	-
Global tactical asset allocation	2,399,687	-	-
Real assets	665,575	-	-
Real estate	3,221,238	-	-
Private equity	1,197,508	-	-
Opportunistic investments	731,816	-	-
Collateral investment pool	656,784	19,486	1,572
Other investments	1,135,705	-	-
Total investments	43,838,740	2,832,635	1,572
Due from others	-	-	83,132
Custodial securities in safekeeping	-	-	3,971,599
Other assets	-	-	1,649
Property and equipment, net of accumulated depreciation	4,227	-	-
Total Assets	44,614,605	2,836,421	4,189,340
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	720	-	-
LIABILITIES			
Accounts payable and other current liabilities	41,651	-	-
Payable for securities purchased	58,275	-	-
Management fee payable	-	141	-
Obligation under securities loan agreements	656,784	19,486	1,572
Forward contracts payable	7,485	-	-
Due to local governments	-	-	15,442
Due to others	-	-	4,172,326
Due to other Funds	13,131	-	-
Net pension liability	5,835	-	-
Total Liabilities	783,161	19,627	4,189,340
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	1,131	-	-
NET POSITION			
Restricted for:			
Pension benefits	41,569,951	-	-
Other post-employment benefits	2,261,082	-	-
Pool participants	-	2,816,794	-
Total Net Position	$ 43,831,033	$ 2,816,794	$ -

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS:		
Member contributions	$ 1,257,630	$ -
Employer contributions	1,644,407	-
Non-employer entity contributions	5,000	-
Member purchase of service credit	31,538	-
Court fees	8,286	-
Investment income:		
Net increase (decrease) in fair value of investments	798,702	(2,246)
Interest income	162,625	13,597
Dividends	365,408	-
Other investment income	147,319	-
Securities lending income	10,264	51
Total investment income	1,484,318	11,402
Less investment expenses:		
Investment activity expenses	293,162	1,564
Securities lending expenses	1,380	39
Net investment income	1,189,776	9,799
Capital share and individual account transactions:		
Shares sold	-	4,155,178
Reinvested interest income	-	10,943
Shares redeemed	-	(4,093,854)
Net capital share and individual account transactions	-	72,267
Other additions	33,713	-
Total Additions	4,170,350	82,066
DEDUCTIONS:		
Retirement, disability, and survivor benefits	3,674,428	-
Health insurance subsidy	18,591	-
Refunds to withdrawing members, including interest	298,066	-
Administrative expense	37,285	-
Dividends to investors	-	9,482
Other deductions	2,123	-
Total Deductions	4,030,493	9,482
Change in net position restricted for:		
Pension benefits	135,527	-
Other post-employment benefits	4,330	-
Pool participants	-	72,584
Net Position - Beginning, as restated	43,691,176	2,744,210
Net Position - Ending	$ 43,831,033	$ 2,816,794

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
ASSETS			
Current Assets:			
Cash	$ -	$ 22,865	$ 22,865
Cash and pooled investments with State Treasurer	146,842	154,875	301,717
Cash held by trustee	18,937	-	18,937
Collateral investment pool	1,434	3,571	5,005
Restricted investments held by trustee	-	5,203	5,203
Receivables, net of allowances:			
Taxes	-	3,597	3,597
Interest	10,165	6	10,171
Loans and notes	-	4,148	4,148
Other	6,889	7,105	13,994
Other current assets	-	1,684	1,684
Total Current Assets	184,267	203,054	387,321
Noncurrent Assets:			
Restricted assets:			
Cash and pooled investments with State Treasurer	-	11,965	11,965
Cash held by trustee	-	16,849	16,849
Investments held by trustee	-	7,758	7,758
Loans and notes receivable, net of allowances	1,074,508	23,769	1,098,277
Investments	94,647	-	94,647
Other noncurrent assets	-	606	606
Capital assets:			
Land and other non-depreciable	-	7,321	7,321
Buildings, equipment, and other depreciable, net of accumulated depreciation	45	31,758	31,803
Total Noncurrent Assets	1,169,200	100,026	1,269,226
Total Assets	1,353,467	303,080	1,656,547
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	277	105	382
Loss on debt refundings	53,123	-	53,123
Future benefits and advances	-	27,491	27,491
Total Deferred Outflows of Resources	53,400	27,596	80,996

The Notes to the Financial Statements are an integral part of this statement. (Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	$ -	$ 10,900	$ 10,900
Accrued liabilities	8,098	565	8,663
Obligations under securities loan agreements	1,434	3,571	5,005
Current portion of long-term debt	47,540	10,690	58,230
Current portion of other long-term liabilities	110	-	110
Total Current Liabilities	57,182	25,726	82,908
Noncurrent Liabilities:			
Unearned revenue	2,191	-	2,191
Net pension liability	1,831	902	2,733
Long-term debt	764,079	106,367	870,446
Total Noncurrent Liabilities	768,101	107,269	875,370
Total Liabilities	825,283	132,995	958,278
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	320	345	665
NET POSITION			
Net investment in capital assets	45	35,693	35,738
Restricted for:			
Debt service	63,654	34,815	98,469
Loans and other financial assistance	517,980	75,924	593,904
Other	-	31,048	31,048
Unrestricted	(415)	19,856	19,441
Total Net Position	$ 581,264	$ 197,336	$ 778,600

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Water Infrastructure Finance Authority	$ 36,611	$ 34,177	$ 24,109
Other Component Units	64,323	31,107	9,219
Total	$ 100,934	$ 65,284	$ 33,328

General Revenues:
Taxes:
Sales
Other
Unrestricted investment earnings
Unrestricted grants and contributions
Payments from State of Arizona
Miscellaneous
Change in Net Position
Net Position - Beginning, as restated
Net Position - Ending

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
WATER INFRASTRUCTURE FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
$ 21,675	$ -	$ 21,675
-	(23,997)	(23,997)
-	9,768	9,768
-	13,869	13,869
6,084	1,230	7,314
-	58	58
-	37,164	37,164
-	3	3
27,759	38,095	65,854
553,505	159,241	712,746
$ 581,264	$ 197,336	$ 778,600

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2015
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
ASSETS					
Cash and cash equivalent investments	$ 15,696	$ 53,551	$ 4,244	$ 27,661	$ 101,152
Receivables:					
Pledges receivable	112,992	27,890	-	36,477	177,359
Other receivables	6,691	-	350	35,772	42,813
Total receivables	119,683	27,890	350	72,249	220,172
Investments:					
Investments in securities	736,433	748,417	16,260	218,157	1,719,267
Other investments	50,208	-	-	14,019	64,227
Total investments	786,641	748,417	16,260	232,176	1,783,494
Net direct financing leases	23,690	-	42,007	6,426	72,123
Property and equipment, net of accumulated depreciation	13,317	12,266	156,007	147,451	329,041
Other assets	38,631	10,505	3,572	15,062	67,770
Total Assets	997,658	852,629	222,440	501,025	2,573,752
LIABILITIES					
Accounts payable and accrued liabilities	9,297	3,392	7,957	25,988	46,634
Liability under endowment trust agreements	116,254	213,427	-	28,704	358,385
Long-term debt	105,690	-	263,288	150,710	519,688
Deferred revenue	-	-	-	28,310	28,310
Other liabilities	28,167	6,763	-	15,481	50,411
Total Liabilities	259,408	223,582	271,245	249,193	1,003,428
NET ASSETS					
Permanently restricted	417,755	494,137	-	73,354	985,246
Temporarily restricted	287,938	122,675	-	90,919	501,532
Unrestricted (deficit)	32,557	12,235	(48,805)	87,559	83,546
Total Net Assets	$ 738,250	$ 629,047	$ (48,805)	$ 251,832	$ 1,570,324

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
REVENUES					
Contributions	$ 109,391	$ 123,340	$ -	$ 63,799	$ 296,530
Rental revenue	1,430	-	15,043	32,828	49,301
Sales and services	21,757	1,208	9,570	50,927	83,462
Net investment income	10,744	7,419	1	3,768	21,932
Grants and aid	-	-	-	15,616	15,616
Other revenues	3,766	11,711	8,545	6,346	30,368
Total Revenues	147,088	143,678	33,159	173,284	497,209
EXPENSES					
Program services:					
Payments to Universities	78,355	80,295	514	15,731	174,895
Leasing related expenses	-	-	-	9,679	9,679
Payments on behalf of Universities	-	16,777	-	5,824	22,601
Other program services	-	-	-	9,109	9,109
Management and general expenses	32,941	4,342	9,662	77,845	124,790
Fundraising expenses	-	8,225	-	3,299	11,524
Interest	1,592	-	12,659	7,670	21,921
Depreciation and amortization	763	-	12,448	9,793	23,004
Other expenses	8,656	-	127	3,780	12,563
Total Expenses	122,307	109,639	35,410	142,730	410,086
Increase (decrease) in Net Assets, before extraordinary items	24,781	34,039	(2,251)	30,554	87,123
Extraordinary item (Primarily equity transfers)	-	-	7,882	24,010	31,892
Increase in Net Assets, after extraordinary items	24,781	34,039	5,631	54,564	119,015
Net Assets - Beginning, as restated	713,469	595,008	(54,436)	197,268	1,451,309
Net Assets - Ending	$ 738,250	$ 629,047	$ (48,805)	$ 251,832	$ 1,570,324

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
INDEX

Page

Note 1. Summary of Significant Accounting Policies -------- 65
A. Reporting Entity ---------- 65
B. Basis of Presentation ---------- 70
C. Measurement Focus and Basis of Accounting ---------- 71
D. Deposits and Investments ---------- 72
E. Taxes Receivable ---------- 73
F. Inventories ---------- 73
G. Capital Assets ---------- 73
H. Deferred Outflows of Resources ---------- 74
I. Investment Earnings ---------- 74
J. Scholarship Allowances ---------- 74
K. Unearned Revenue ---------- 74
L. Pensions ---------- 74
M. Compensated Absences ---------- 74
N. Long-Term Obligations ---------- 75
O. Deferred Inflows of Resources ---------- 75
P. Net Position/Fund Balances ---------- 75
Q. New Accounting Pronouncements and Major Fund Change ---------- 76

Note 2. Deposits and Investments ---------- 77
A. Deposits and Investment Policies ---------- 77
B. Custodial Credit Risk – Deposits and Investments ---------- 79
C. Interest Rate Risk ---------- 79
D. Credit Risk ---------- 81
E. Concentration of Credit Risk ---------- 82
F. Foreign Currency Risk ---------- 83
G. Securities Lending ---------- 84
H. Derivatives ---------- 85
I. State Treasurer's Separately Issued Financial Statements ---------- 88

Note 3. Receivables/Unavailable Revenue/ Unearned Revenue ---------- 88
A. Taxes Receivable ---------- 88
B. Unavailable Revenue ---------- 88
C. Unearned Revenue ---------- 89

Note 4. Capital Assets ---------- 90

Note 5. Pension Benefits ---------- 91
A. Arizona State Retirement System ---------- 92
B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan ------ 95
C. Elected Officials' Retirement Plan ----------101

Note 6. Other Post-Employment Benefits ----------104
A. Plan Description ----------104
B. Summary of Significant Accounting Policies ----------105
C. Funding Policy ----------105
D. Annual OPEB Cost and Net OPEB Obligation ----------106
E. Funded Status and Funding Progress--------106
F. Actuarial Methods and Assumptions -------106

Note 7. Long-Term Obligations ----------107
A. Revenue Bonds ----------107
B. Grant Anticipation Notes ----------114
C. Certificates of Participation ----------115
D. Leases ----------118
E. Compensated Absences ----------119
F. Changes in Long-Term Obligations --------120

Note 8. Interfund Transactions ----------121

Note 9. Accounting Changes ----------122
A. Fund Financial Statements ----------122
B. Government-wide Financial Statements ---122

Note 10. Governmental Fund Balances ----------123

Note 11. Deficit Net Position ----------123

Note 12. Joint Ventures ----------124
A. Large Binocular Telescope Corporation ---124
B. Giant Magellan Telescope Organization ---124

Note 13. Commitments, Contingencies, and Compliance ----------124
A. Insurance Losses ----------124
B. Litigation ----------126
C. Accumulated Sick Leave ----------127
D. Unclaimed Property----------127
E. Construction Commitments ----------128
F. Arizona State Lottery ----------128

Note 14. Tobacco Settlement ----------128

Note 15. Subsequent Events ----------128

Note 16. Discretely Presented Component Unit Disclosures ----------129
A. Summary of Significant Accounting Policies ----------129
B. Deposits and Investments ----------131
C. Program Loans ----------133
D. Pledges Receivable ----------133
E. Direct Financing Lease Agreements --------133
F. Capital Assets ----------134
G. Long-Term Obligations ----------134
H. Conduit Debt ----------136
I. Accounting Restatement ----------137

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Arizona (the State) conform to U.S. Generally Accepted Accounting Principles (U.S. GAAP) applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The State is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units. Component Units' footnote disclosures are presented in Note 16 – *Discretely Presented Component Unit Disclosures.*

Component Units

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Where the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity if it is fiscally dependent on the State and there is a potential for the organization to either provide specific financial benefits to, or to impose specific financial burdens on, the State. Further, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading.

In addition, GASB requires that legally separate, tax-exempt entities that meet *all* of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Northern Arizona Capital Facilities Finance Corporation (NACFFC) is blended with the Universities financial statements. The NACFFC was established for the purpose of acquiring, developing, constructing, and operating student housing and other capital facilities and equipment for the use and benefit of Northern Arizona University's (NAU) students. The NACFFC's debt outstanding is expected to be repaid entirely or almost entirely with resources from the NAU.

The State reports the following component units as fiduciary funds:

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer, pension plan that benefits employees of the State and participating political subdivisions and school districts. The ASRS is administered in accordance with provisions of Arizona Revised Statutes (A.R.S.) Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is governed by a nine-member board that is appointed by the Governor and approved by the Senate to serve three-year terms. The State has the ability to impose its will on the ASRS as the State Legislature can modify the plan design and benefits. Additionally, per A.R.S. § 38-721, the State Legislature appropriates monies to pay for the administrative expenses of the ASRS. Complete financial statements may be obtained from the ASRS's administrative office at P.O. Box 33910, Phoenix, AZ 85067-3910, (602) 240-2000, or its website at www.azasrs.gov.

The Public Safety Personnel Retirement System (PSPRS) is an agent, multiple-employer public employee retirement system that benefits public safety employees of certain State, county, and local governments. The PSPRS is jointly administered by the Board of Trustees and 237 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The Board of Trustees is a seven-member board appointed by the Governor and approved by the Senate to serve a fixed five-year term. The State has the ability to impose its will on the PSPRS as the State Legislature can modify the plan design and benefits. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at www.psprs.com.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer public employee retirement plan that benefits elected officials and judges of certain State, county, and local governments who were members of the plan on December 31, 2013. As part of the 2013 Fifty-first Legislature, House Bill 2608 effectively closed the EORP to new members and created the Elected Officials' Defined Contribution Retirement System, with an effective date of January 1, 2014. The Board of Trustees of the PSPRS administers the EORP plan according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The State has the ability to impose its will on the EORP as the State Legislature can modify the plan design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at www.psprs.com.

The Corrections Officer Retirement Plan (CORP) is a multiple-employer public employee retirement plan that benefits prison and jail employees of certain state, county, and local governments. CORP includes a cost-sharing multiple-employer plan for Administrative Office of the Courts (AOC) probation officers and an agent multiple-employer plan for all other members. The Board of Trustees of the PSPRS, 26 local boards of the CORP, and 15 local boards of the AOC administer the plans according to the provisions of A.R.S. Title 38, Chapter 5, Article 6. The State has the ability to impose its will on the CORP and AOC as the State Legislature can modify the plans design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at www.psprs.com.

The State reports the following discretely presented component units:

Major Component Unit:

Water Infrastructure Finance Authority (WIFA) – The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the U.S. Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors. The seven Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor; thus, the State has the ability to impose its will on WIFA. Complete financial statements may be obtained from the WIFA's administrative office at 1110 West Washington Street, Suite 290, Phoenix, AZ 85007, (602) 364-1324.

Non-major Component Units:

Greater Arizona Development Authority (GADA) – The purpose of the GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA is governed by a nine-member Board of Directors consisting of four State of Arizona agency heads and five members, one of which shall be a representative of a tribal nation in Arizona, appointed by the Governor of the State. Members appointed by the Governor serve staggered five-year terms. A financial benefit/burden relationship exists between the State and GADA as its fund was originally capitalized with General Fund appropriations and the State Legislature has swept monies from its fund over the years to balance the State's budget. Complete financial statements may be obtained from the GADA's administrative office at 1110 West Washington Street, Suite 290, Phoenix, AZ 85007, (602) 364-1324.

Rio Nuevo Multipurpose Facilities District (Rio Nuevo) – The Rio Nuevo was established in 1999 with the passage of Proposition 400 by the voters in the Cities of Tucson and South Tucson. Under applicable A.R.S., the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. The Rio Nuevo is governed by a nine-member board of directors, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by the Speaker of the House of Representatives. All board of directors can be removed at will; thus, the State has the ability to impose its will on Rio Nuevo. Complete financial statements may be obtained

from Rio Nuevo's administrative office at 400 West Congress, Suite 152, Tucson, AZ 85701, (520) 623-7336, or its website at www.rionuevo.org.

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. The APA is required to follow specific State policies; thus, the State has the ability to impose its will on APA. Complete financial statements may be obtained from the APA's administrative office at 1810 West Adams Street, Phoenix, AZ 85007-2679, (602) 368-4265.

Arizona Commerce Authority (ACA) – The ACA is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State's economic development objectives. The ACA is governed by a nineteen member board of directors consisting of the Governor serving as Chairperson, a Chief Executive Officer, and seventeen members consisting of private sector business leaders serving staggered three-year terms, of which, nine are appointed by the Governor, four are appointed by the President of the Senate, and the other four are appointed by the Speaker of the House of Representatives. A financial benefit/burden relationship exists between the State and ACA as its primary funding source is the allocated State General Fund withholding tax revenues received in each fiscal year according to A.R.S. § 43-409. Complete financial statements may be obtained from the ACA's administrative office at 333 North Central Avenue, Suite 1900, Phoenix, AZ 85004, (602) 845-1200.

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of Downtown Phoenix Student Housing, LLC, the ASU Preparatory Academy, Inc. (ASU Prep), and Campus Research Corporation (CRC). The Downtown Phoenix Student Housing, LLC is included due to the nature and significance of the financial arrangement that it has with the State and that the State believes would be misleading to exclude. The ASU Prep is included because of its close affiliation to the State and that the State believes it would be misleading to exclude. The CRC is included because the U of A approves the budget and can access its resources.

The following discretely presented component units of the State affiliated with the Universities are reported as *major* component units:

Arizona State University Foundation for a New American University (ASU Foundation) – The ASU Foundation's resources are disbursed at the discretion of the ASU Foundation's independent board of directors, in accordance with donor directions and the ASU Foundation policy. The directors of the ASU Foundation make all decisions regarding the ASU Foundation's business affairs, including distributions made to the ASU. The economic resources held by the ASU Foundation are significant to the ASU and are entirely for the benefit of the ASU.

Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for use by students of ASU or ASU itself. A fiscal dependency and financial benefit/burden relationship exists between the ACFFC and the ASU.

University of Arizona Foundation (U of A Foundation) – The U of A Foundation supports the U of A through various fund-raising activities and contributes funds to the U of A in support of various programs. The restricted resources held by the U of A Foundation are significant to the U of A and can only be used by, or for the benefit of, the U of A or its constituents.

The following discretely presented component units of the State affiliated with the Universities are reported as *non-major* component units:

Arizona State University Alumni Association, Sun Angel Foundation, and Sun Angel Endowment – These three component units of the State affiliated with the Universities receive funds primarily through donations, dues, and/or affinity partners and contribute funds to ASU for support of various programs. The economic resources held by these three component units are significant to the ASU and are entirely for the benefit of the ASU.

Arizona State University Research Park, Inc. (ASU Research Park) – The ASU Research Park manages a research park to promote and support research activities in coordination with ASU. In developing the research park, bonds were issued that are guaranteed by the ASU. A fiscal dependency and financial benefit/burden relationship exists between the ASU Research Park and the ASU.

Thunderbird School of Global Management (Thunderbird) – Thunderbird offers non-degree programs focused on global business across cultural, ethical, and multi-lingual curriculum. A fiscal dependency and financial benefit/burden relationship exists between the Thunderbird and the ASU.

Downtown Phoenix Student Housing, LLC – This component unit of the State affiliated with the Universities provides housing facilities for use by students of the ASU.

ASU Prep – The ASU Prep prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally, and contribute to their communities.

University of Arizona Alumni Association (U of A Alumni Association) – The U of A Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing, and encouraging them to advance the U of A's missions - teaching, research, and public service. The economic resources held by the U of A Alumni Association are significant to the U of A and are entirely or almost entirely for the benefit of the U of A.

University of Arizona Law College Association (Law Association) – The Law Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships. The economic resources held by the Law Association are significant to the U of A and are entirely or almost entirely for the benefit of the U of A.

University of Arizona Campus Research Corporation (CRC) – The CRC was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park (Tech Park) and related properties. The CRC currently leases from the U of A the remaining 67% of building space of the Tech Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the Tech Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The U of A is responsible for payment of operational expenses associated with the space occupied by the U of A departments, offices, and programs.

University of Arizona Eller Executive Education (EEE) – The EEE was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders. The U of A president appoints all EEE board members and can remove any member at will; thus, the U of A can impose its will on the EEE.

Northern Arizona University Foundation, Inc. (NAU Foundation) – The NAU Foundation receives gifts and bequests, administers and invests in securities and property, and disburses payments to and on behalf of NAU for advancement of its mission. The restricted resources of the NAU Foundation can only be used by, or for the benefit of NAU or its constituents.

Northern Arizona Real Estate Holdings, LLC, (NAREH) – The NAREH is a wholly owned subsidiary of the NAU Foundation and was established to construct, develop, equip, operate, maintain, lease, and hold real estate investments on behalf of the NAU Foundation.

NAU Ventures, LLC (NAUV) – The NAUV is a wholly owned subsidiary of the NAU Foundation and was established to license, or otherwise commercialize the intellectual property owned or controlled by the Arizona Board of Regents, the NAU, or the NAU Foundation.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained as follows:

ASU Foundation, ACFFC, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, Thunderbird, Downtown Phoenix Student Housing, LLC, and the ASU Prep – contact ASU Financial Services at (480) 965-3601

U of A Alumni Association – Alumni Association, The University of Arizona, P.O. Box 210109, Tucson, AZ 85721-0109

Law Association – Law College Association, James E. Rogers College of Law at the University of Arizona, 1201 E. Speedway Blvd., Tucson, AZ 85721-0176

CRC – The University of Arizona Science and Technology Park, 9070 South Rita Road, Suite 1750, Tucson, AZ 85747

EEE – Eller Executive Education, P.O. Box 210108, Tucson, AZ 85721-0108

NAU Foundation, NAREH, NAUV, and NACFFC – Northern Arizona University, Comptroller's Office, P.O. Box 4069, Flagstaff, AZ 86011

The financial statements of the U of A Foundation are not publicly available. For information regarding the U of A Foundation's financial statements, contact the U of A Comptroller at the following address: University of Arizona, Financial Services, 1303 E. University Blvd., Box 4, Tucson, AZ 85719-0521.

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB for inclusion. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – A.R.S. § 36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of improving health care for Arizona residents by providing less expensive financing for health care facilities. Proceeds from bond issues are loaned to various qualifying health care organizations. The health care organizations reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed for cause or at will by the Governor with the consent of the Senate. The State cannot abrogate the rights of the Authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed.

Arizona International Development Authority (the Authority) – A.R.S. § 41-4502 established the Authority to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-member board of directors appointed by the Governor and approved by the Senate for five-year terms, and can be removed only for cause.

Arizona Sports and Tourism Authority (the Authority) – A.R.S. § 5-802 established the Authority to construct, finance, furnish, maintain, improve, operate, market, and promote the use of a multipurpose facility and do all things necessary or convenient to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a nine-member board of directors of which five are appointed by the Governor and approved by the Senate and two members each by the President of the Senate and the Speaker of the House. The directors serve terms of five years, may be re-appointed for one full subsequent term, and can be removed only for cause.

Arizona Housing Finance Authority (the Authority) – A.R.S. § 41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority shall notify a city, town, county, tribal government, or existing corporation (as defined in A.R.S. § 35-701) that a multifamily residential rental project is planned for its jurisdiction and, before proceeding, shall obtain written consent from the governing body of the city, town, county, or tribal government. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

Joint Ventures

As described in Note 12, the U of A participates in joint ventures. In accordance with U.S. GAAP, the financial activities of these joint ventures are not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Position** presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Both the governmental and business-type activities are presented on a consolidated basis by column.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. The State does not allocate indirect expenses to programs or functions.

Program revenues include:

- charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures
- operating grants and contributions
- capital grants and contributions, including special assessments

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Interfund balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

Fund financial statements provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

The General Fund – is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund – accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation (ADOT). The ADOT builds and maintains the

State's highway system and the Grand Canyon Airport. The fund primarily receives revenues from motor vehicle and fuel taxes and federal grants.

The Land Endowments Fund – holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise fund:

The Universities – account for transactions of the State's three universities, which comprise the State's university system.

Additionally, the State reports the following fund types:

Internal Service Funds – account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis. It is the policy of the State to classify immaterial proprietary fund activities in governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. These funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, or arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

Pension and Other Employee Benefit Trust Funds – account for the activities of the ASRS, the PSPRS, the EORP, and the CORP, for which the State acts as a trustee. These retirement and other post-employment benefit plans accumulate resources to pay pension, health insurance premium subsidies, and long-term disability benefits of State employees and employees of other governmental entities participating in the plans.

Investment Trust Funds – account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

Agency Funds – account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. However, the agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are federal reimbursements, highway user revenue tax, and state sales tax. Expenditures are recorded when the related fund liability is incurred, except for net pension liability, principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expense is incurred for purposes for which restricted and unrestricted net position are available, the State considers restricted and unrestricted amounts to have been spent in that order.

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts on the Statement of Net Position (unrestricted/restricted) "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State Treasurer", "Cash held by trustee" and "Collateral investment pool". For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

- *Cash (not with State Treasurer)* – includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.

- *Cash with U.S. Treasury* – consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.

- *Cash and pooled investments with State Treasurer* – consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer's pooled investments are described in Note 2.

- *Cash held by trustee* – consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.

- *Collateral investment pool* – consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

2. Investment Valuation

Investments maintained by the State Treasurer are reported at fair value using State Street prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary exchange closing price. All bonds are priced using an evaluated bid, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). The evaluated bid is based on a compilation of primary observable market information or a broker quote in a non-active market.

The ASRS' publicly traded investments are reported at fair value determined by the custodial agents. The agents' determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. ASRS' derivative instruments, which consist of futures, forward contracts, options, swaps, rights, and warrants, are measured at fair value. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments. The fair value of limited partnership investments are based on estimated current values and accepted industry practice. Fair value is based on estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable fair values. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, the ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

For the PSPRS, the EORP, and the CORP, investments are reported at fair value. Short term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed income securities are valued using the last reported sales price or the estimated fair value as determined by the fixed income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets, and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows.

E. TAXES RECEIVABLE

Taxes receivable include amounts owed by taxpayers for prior periods including assessments for underpayments, penalties, and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred inflows of resources.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2015. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2015, but not collected until the following month.

F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the proprietary funds. Inventories are stated at cost using the first-in, first-out method, weighted average, or lower of cost or market. In the governmental funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

G. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the appraised or estimated fair value at the date received. Interest incurred during the construction of capital assets, net of interest earned on the invested proceeds over the same period, is only capitalized in the proprietary funds.

Most capital assets are depreciated over their estimated useful lives. However, the State reports most infrastructure assets using the modified approach, as provided by the GASB. Under this approach, rather than being depreciated, costs to maintain and preserve these assets are expensed. This approach is discussed further in the Required Supplementary Information portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, and estimated useful lives of capital assets. In addition, the State has approved alternative policies for some State agencies.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows:

	General State Policy		Other Authorized Agency Policies	
Asset Category	Capitalization Threshold	Estimated Useful Life (years)	Capitalization Threshold	Estimated Useful Life (years)
Land	All capitalized	Not depreciated	All capitalized	Not depreciated
Buildings	All capitalized	25-40	$0-$100,000	10-50
Improvements other than buildings	$5,000	15	-	-
Equipment	$5,000	3-15	$0-$5,000	3-25
Infrastructure	All capitalized	Not depreciated	$0-$100,000	10-100
Software	$1,000,000	5-10	$1,000,000-$5,000,000	5-10
Other intangibles	$100,000	Varied	$100,000	Varied

Other intangibles include non-software licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, and natural resource extraction rights. These are amortized over the shorter of the legal or estimated useful life if the useful life is definite or limited. If the life is indefinite or unlimited, they are not amortized. In addition, rights-of-way and easements are amortized only if the value is separable from the underlying land and natural resource extraction rights are not amortized unless the value of the underlying asset is identifiable.

The State is trustee for approximately 9.2 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair value at acquisition has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements.

The State has interest in and maintains significant special collections, works of art, and historical treasures. Except for ASU, all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair value at the date of acquisition or donation. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes. ASU capitalizes all works of art and historical treasures with a unit cost of $5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 7, respectively.

H. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position by the government that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets.

I. INVESTMENT EARNINGS

Investment earnings are composed of interest, dividends, and net changes in fair value of applicable investments.

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Position. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as fee waivers, Pell grants, and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses and Changes in Fund Net Position.

K. UNEARNED REVENUE

In the government-wide, governmental fund, and proprietary fund financial statements, unearned revenue is recorded when cash, receivables, or other assets are received prior to their being earned.

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by the GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered due and payable.

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for uncovered State employees and University employees, an employee generally forfeits accumulated annual leave in excess of 240 hours as of the last day of the last pay period for a calendar year, unless the Director of the Department of Administration authorizes an exception. Uncovered State employees shall forfeit accumulated annual leave in excess of 320 hours as of the end of each calendar year, unless an exception is authorized. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State employment is paid for all unused and unforfeited annual leave at the employee's rate of

pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 hours if working in a public safety activity or an emergency response activity). An employee who separates from State employment is paid for all unused compensatory leave at a rate of compensation not less than the higher of: (1) the average regular rate received by such employee during the last three years of employment or (2) the final regular rate received by such employee.

For sick leave policy, see Note 13.C.

N. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and COPs are deferred and amortized over the life of the debt instrument using the straight-line method or the effective interest method. Bonds and COPs are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, other issuances, and premiums and discounts on debt as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 7.

O. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources decrease net position or fund balance, similar to liabilities.

P. NET POSITION/FUND BALANCES

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is "Net Position" on the government-wide, proprietary fund, and fiduciary fund financial statements and "Fund Balance" on the governmental fund financial statements.

Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

In the governmental fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Five classifications are available for reporting fund balances:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted or committed) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources that are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Arizona State Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the Legislature, creating, modifying, or rescinding fund balance commitments.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State does not have policies or procedures comparable to the policies that underlie this classification and, accordingly, does not report assigned fund balances.

Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which restricted, committed, and unassigned fund balance is available, the State considers restricted, committed, and unassigned amounts to have been spent in that order.

Budget Stabilization Fund

The State's Budget Stabilization Fund (BSF) was enacted in 1990 by A.R.S. § 35-144. The BSF is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the "Rainy Day Fund."

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The amount is based on calculations from the Arizona Economic Estimates Commission (EEC). The EEC compares the annual growth rate of real adjusted Arizona personal income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of real adjusted AZPI for the most recent 7 years. AZPI in the BSF formula is defined as total AZPI less transfer payments, adjusted by the gross domestic product price deflator index. If the annual growth rate exceeds the trend growth rate, the "excess" percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF. If the annual growth rate of AZPI is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. The BSF's total fund balance cannot be larger than 7% of the current year's General Fund revenues, excluding the beginning balance.

The budgets developed by the Governor and the Joint Legislative Budget Committee and submitted to the State Legislature at the start of each regular session include estimates of the amount to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount is done by the EEC on June 1 of the budget year. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. Additionally, by a two-thirds majority, the State Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal.

The BSF's fund balance, including earnings on investments, as of June 30, 2015, was $457.3 million.

Q. NEW ACCOUNTING PRONOUNCEMENTS AND MAJOR FUND CHANGE

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* This Statement replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions. In addition, note disclosure and required supplementary information requirements about pensions are addressed. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The State has implemented the requirements of this standard.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement is effective for

financial statements for fiscal years beginning after December 15, 2013. The State has implemented the requirements of this standard but they had no effect on the financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The State has implemented the requirements of this standard.

The Industrial Commission Special Fund reported as a major enterprise fund in fiscal year 2014 did not meet the GASB major fund criteria in fiscal year 2015 and, as a result, is reported as a non-major enterprise fund.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS AND INVESTMENT POLICIES

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, the Industrial Commission (the Commission), and the Insurance Department Guaranty Funds (IDGF). These entities maintain the majority of the deposits and investments of the primary government. The investment policies of these organizations are defined according to State statutes, or a governing board, or both, and are described below.

A.R.S. § 35-312, § 35-313, and § 35-314 authorize the State Treasurer to invest operating, trust, and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government subdivisions, negotiable certificates of deposit, bonds, debentures and notes issued by entities which are U.S. dollar denominated, commercial paper issued by entities which are U.S. dollar denominated, bankers acceptances, collateralized repurchase agreements, money market mutual funds, exchange traded funds, equities, and other securities. The State Treasurer is not allowed to invest in foreign investments unless the investment is denominated in U.S. dollars.

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool - FF&C, Local Government Investment Pool – Medium Term, and Local Government Investment Pool – Medium Term FF&C]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with A.R.S. § 35-311.

In September 2008, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of $39.4 million was transferred to the Lehman Brothers Pool due to Lehman Brothers filing for Chapter 11 bankruptcy protection on September 15, 2008. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities.

In December 2011, the United States Bankruptcy Court for the Southern District of New York entered an order confirming the Modified Third Amended Lehman Brothers Joint Plan of Liquidation. During the current year, approximately $3.1 million was received as payout of funds being held by the Indenture Trustee for Lehman Brothers securities. The payout received was allocated to participants based on the participant's share balance and then transferred to the LGIP, reducing the carry or cost basis in the Lehman Brothers Pool. As of June 30, 2015, the carry or cost basis and the fair value for the Lehman Brothers Pool were $25.7 million and $2.7 million, respectively. There was a distribution in October 2015, and future distributions are generally expected every six months thereafter. The remaining amount to be recovered is unknown.

The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Position Value (NPV) of the shares. The NPV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

The Central Arizona Water Conservation District is an individual investment account.

The State Treasurer's deposits and investments disclosures include the amounts reported by the State's component units as (unrestricted/restricted) "Cash and pooled investments with State Treasurer" in the accompanying financial statements, as applicable.

State statutes authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. As such, investment management shall discharge the duties of their position with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a "prudent person" acting in a like capacity and familiar with the same matters would use in the conduct of an enterprise of a like character and with like aims as that of the system.

The ASRS invests in short-term securities, obligations of the U.S. government or agencies of the U.S. government, corporate bonds, common and preferred stocks (domestic and foreign), mortgages, derivatives, commodities, real estate, private equity, and opportunistic debt and equity investments. Per A.R.S. § 38-718, no more than 80% of the ASRS' assets may be invested at any given time in equities, measured at fair value. No more than 40% of the ASRS' assets may be in non-U.S. public investments, measured at fair value. No more than 60% of the ASRS' assets may be invested internally, measured at fair value. No more than 10% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank, measured at fair value. Subject to the limitations noted above, the ASRS Board may authorize the ASRS Director to make investments that are designated by the ASRS Board and that do not exceed 60% of the assets of the investment account measured at cost. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per A.R.S. § 38-848D, § 38-803A(4), and § 38-883A(4), the PSPRS, the EORP, and the CORP, respectively, may not invest at any given time more than 80% of the combined assets of the system or other plans that the Board of Trustees manages in corporate stocks, based on cost value of such stocks irrespective of capital appreciation. In addition, the PSPRS, the EORP, and the CORP investments shall be restricted to stocks and exchange traded funds that, except for bank and insurance stocks and membership interests in limited liability companies, are either: 1) listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended, 2) designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended, 3) listed or approved on issuance for listing on an exchange registered under the laws of this State or any other State, 4) listed or approved on issuance for listing on an exchange registered of a foreign country with which the U.S. is maintaining diplomatic relations at the time of purchase, except that no more than 20% of the combined assets of the system or other plans that the board manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation, or 5) an exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the Investment Company Act of 1940, and that is both traded on a public exchange and based on a publicly recognized index. Not more than 5% of the combined assets of the system or other plans that the board manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the U.S. government or corporate stock issued by a bank or insurance company. Not more than 5% of the voting stock of any one corporation shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.

The Arizona Board of Regents (ABOR) governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per A.R.S. § 23-1065, the Commission's investment committee is responsible for prescribing investment policies and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on

both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under A.R.S. § 38-718.

Per A.R.S. § 20-665 and § 20-687, the IDGF's board of directors shall submit to the director the fund's plan of operations. Investment policies adopted pursuant to the plans of operation authorize the IDGF to invest monies in obligations issued or guaranteed by the United States or any of its senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as share, checking, savings accounts, or certificate of deposits.

B. CUSTODIAL CREDIT RISK – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer's, the Retirement Systems', and the Universities' deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. Surety collateral for the Universities and the ASRS must be equal to at least 100% of the bank balance required to be collateralized (102% for the State Treasurer, the PSPRS, the EORP, and the CORP). Beyond this requirement, these organizations do not have a formal policy specifically addressing custodial credit risk on deposits, except for the State Treasurer. The State statutes require surety collateral for the State Treasurer to consist of either: 1) U.S. Government obligations, State obligations, or obligations of counties or municipalities within the State, 2) State Treasurer's warrant notes, or 3) the safekeeping receipt of the financial institution accepting the deposit.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regards to custodial credit risk for investments. As of June 30, 2015, the State had $80.7 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

C. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State manages interest rate risk using the segmented time distribution, weighted average maturity, and effective duration methods.

The State Treasurer manages interest rate risk by incorporating A.R.S. limitations into their investment policy and setting forth various thresholds or parameters relating to interest rate risk in accordance with each investment pool's portfolio structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored monthly by measuring the weighted average maturity and/or duration.

The ASU's policies do not limit the overall maturity of the investments held by the operating and endowment funds; however, the operating fund investment policy includes guidelines addressing diversification and liquidity. The capital projects fund's portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

The Commission approves and contracts with different investment managers of fixed income securities in order to manage the exposure to interest rate risk with each different manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool.

The IDGF's investment policy requires that the maximum final maturity on an individual investment is 4 years or less.

The following table presents the State Treasurer's, the ASU's, the Commission's, and the IDGF's weighted average maturity in years by investment type as of June 30, 2015 (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	$ 751,887	1.66
Certificates of deposit (negotiable)	242,115	0.12
Commercial mortgage backed securities	124,408	28.68
Commercial paper	1,170,699	0.10
Corporate notes & bonds	1,886,095	2.89
FDIC certificates of deposit	179,752	0.16
Government bonds	337,711	2.98
Money market mutual funds	255,910	0.04
Repurchase agreements	1,471,699	0.00
U.S. agency mortgage backed securities	1,166,700	19.54
U.S. agency mortgage backed securities – full faith	400,030	20.14
U.S. agency securities	1,527,531	1.59
U.S. agency securities – full faith	98,751	1.37
U.S. Treasury securities	1,772,687	1.68
Other	2,019	1.45
Total	$ 11,387,994	4.20

The ASRS has not adopted a specific formal policy for interest rate risk, but does set more restrictive requirements in its contracts with money managers. The ASRS utilizes effective duration to identify and manage its interest rate risk. Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions.

The following table presents ASRS' effective duration by investment type as of June 30, 2015 (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Asset backed securities	$ 5,143	6.90
Commercial mortgage backed securities	50,686	3.50
Corporate bonds	1,737,914	4.80
Fixed income mutual funds	1,976,526	*
Government agency CMOs	506,612	2.60
Government bonds	735,984	6.90
Government mortgage backed securities	7,337	2.90
Government related bonds	37,555	5.70
Opportunistic debt	1,087,081	*
Private debt	1,671,528	*
U.S. Treasury securities	502,993	0.30
Total	$ 8,319,359	4.28

* Duration calculations for some securities are not available.

The PSPRS, the EORP, the CORP, and the U of A do not have a formal policy in regards to interest rate risk. The NAU's investment policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The NAU's endowment funds have no such limitation.

The following table presents the interest rate risk for the PSPRS, the EORP, the CORP, the NAU, the U of A, and other State agencies utilizing the segmented time distribution as of June 30, 2015 (expressed in thousands):

		Investment Maturities (in years)					
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**11-15**	**16-20**	**More than 20**
Certificates of deposit (negotiable)	$ 29,044	$ 3,927	$ 25,117	$ -	$ -	$ -	$ -
Corporate notes & bonds	924,056	52,024	275,608	15,773	12,713	2,974	564,964
Fixed income mutual funds	11,595	8,116	751	2,728	-	-	-
Government bonds	2,821	250	2,571	-	-	-	-
Money market mutual funds	153,922	153,922	-	-	-	-	-
U.S. agency securities	263,316	156,777	90,664	8,154	-	-	7,721
U.S. Treasury securities	64,492	20,257	44,162	73	-	-	-
Total	$ 1,449,246	$ 395,273	$ 438,873	$ 26,728	$ 12,713	$ 2,974	$ 572,685

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes as of June 30, 2015 (expressed in thousands):

Interest Rate Terms	**Corporate Notes & Securities**	**U.S. Agency Securities**	**Other**	**Total**
Investments (including full faith) with coupon tied to the London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point which resets monthly, quarterly, or semi-annually.	$ 560,668	$ 135,056	$ 97,115	$ 792,839
Asset backed securities with coupon tied to the LIBOR plus/minus a fixed basis point which resets from monthly to quarterly.	191,628	-	-	191,628
Mortgage backed securities (including full faith) - when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes fair value of the investment.	120,382	1,566,730	-	1,687,112
U.S. Treasury securities with coupon tied to the U.S. Treasury 3 month bill money market yield plus/minus a fixed basis point which resets weekly.	-	-	205,018	205,018
Other investments (including full faith) with high sensitivity to rate changes.	9,971	135,261	-	145,232
Total	$ 882,649	$ 1,837,047	$ 302,133	$ 3,021,829

D. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

State statutes and the State Treasurer's investment policy require that commercial paper must be rated by at least two nationally recognized statistical rating organizations (NRSROs) and that the ratings assigned by at least two of the NRSROs be of the two highest rating categories for short-term obligations. Corporate bonds, debentures, notes, negotiable certificates of deposit, and municipal bonds must carry a minimum Baa or better rating from Moody's Investor Service (Moody's) or a BBB or better rating from Standard and Poor's Rating Service (S & P) or their successors. For securities of, or any other interests in, any open-end management type investment company or investment trust, including exchange traded funds, the underlying investments must be securities which are allowable under State statutes. For investments not rated by Moody's, Fitch rating information is used. There is no statute or investment policy on ratings or credit quality for obligations issued by the U.S. Government or its agencies or repurchase agreements. The underlying securities for repurchase agreements are implicitly guaranteed by the U.S. Government, as some are collateralized with U.S. agency securities.

The ASRS has not adopted a formal policy with respect to credit risk.

The PSPRS', the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must have a minimum weighted average quality rating of A3 by Moody's and A- by S & P. Fixed income securities must have a

minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. The portion of the bond portfolio in securities rated Baa3 through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20% or less of the fair value of the fixed income portfolio. Commercial paper must have a minimum quality rating of P-1 by Moody's and A-1 by S & P at the time of purchase.

The Universities' policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating by S & P or Baa or better rating by Moody's; and that commercial paper be rated by at least two NRSROs and be of the two highest rating categories for short-term obligations of at least two of the NRSROs. In addition, the Universities do not have formal policies that specifically address credit risk over endowment funds. The Universities' endowment funds are primarily invested in their Foundations' endowment pools, which are not rated. The Foundations' investment committees manage the credit risk of the pools' investments. Also, the ASU's capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture.

The Commission's investment policy requires that purchases of fixed income securities will consist of U.S. Treasury or Federal agency obligations or those bonds rated not less than Baa3 by Moody's or BBB- by S & P, except for fixed income managers who have been hired to manage funds in a specialized manner (high yield).

The IDGF's investment policy requires that investments shall be limited to those securities or other investments with a rating no lower than A- from S&P.

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2015. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC Thru D	A-1/A-2	Not Rated
Asset backed securities	$ 713,929	$ 485,384	$ 13,997	$ -	$ -	$ -	$ -	$ -	$ 208,074	$ 6,474
Certificates of deposit (negotiable)	252,612	-	66,801	30,314	-	-	-	-	145,000	10,497
Commercial mortgage backed securities	175,094	165,552	-	8,768	-	-	-	-	-	774
Commercial paper	1,170,699	-	-	-	-	-	-	-	1,170,699	-
Corporate notes & bonds	4,546,628	80,200	518,481	1,386,660	707,891	425,235	619,748	224,448	-	583,965
Fixed income mutual funds	1,988,121	-	-	-	-	-	-	-	-	1,988,121
Government agency CMOs	506,612	506,612	-	-	-	-	-	-	-	-
Government bonds	1,069,412	848,447	215,141	5,824	-	-	-	-	-	-
Government mortgage backed securities	7,337	7,337	-	-	-	-	-	-	-	-
Government related bonds	37,555	23,274	14,281	-	-	-	-	-	-	-
Money market mutual funds	409,832	409,832	-	-	-	-	-	-	-	-
Opportunistic debt	1,087,081	-	-	-	-	-	-	-	-	1,087,081
Private debt	1,671,528	-	-	-	-	-	-	-	-	1,671,528
Repurchase agreements	493,492	-	493,492	-	-	-	-	-	-	-
U.S. agency mortgage backed securities	1,149,173	-	1,146,328	-	-	-	-	-	-	2,845
U.S. agency securities	1,783,126	71,562	1,623,233	-	-	-	-	-	85,333	2,998
Other	34,557	400	400	866	300	-	-	-	-	32,591
Total	$17,096,788	$2,598,600	$4,092,154	$1,432,432	$708,191	$425,235	$619,748	$224,448	$1,609,106	$5,386,874

E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', the Universities', and the Commission's investment policies provide that no more than 5% of their investments shall be invested in securities issued by a single corporation and its subsidiaries/affiliates. However, securities issued

by the U.S. government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempt. The State Treasurer also exempts from this policy the purchase of Treasurer Warrant Notes for the State Agencies Diversified pool, provided the maximum amount of the notes purchased shall not exceed 50% of the fair value of the pool, bonds issued by an agency of the State, and pre-refunded municipal bonds issued by any entity that are invested in obligations issued or guaranteed by the U.S. government or any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds issued as direct obligations of, and fully guaranteed by, the U.S. Government. The IDGF's investment policies state that no more than 5% of its investment portfolio or $5 million, whichever is less, shall be invested with any one issuer, with the exception of the U.S. government, its agencies, or instrumentalities. At June 30, 2015, more than 5% of the primary government's total investments are in Federal National Mortgage Association (fair value of $811.4 million or 6.1%).

F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS, the PSPRS, the EORP, and the CORP are the primary State agencies that have foreign currency risk. Per A.R.S. § 38-718, no more than 40% of the ASRS' assets may be invested in foreign securities and those investments shall be made only by investment managers with expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. According to State statutes, the PSPRS, the EORP, and the CORP shall not invest more than 20% of the combined assets of the system or other plans that the Board of Trustees manages in foreign securities. The following table summarizes the State's foreign currency risk as of June 30, 2015 (expressed in thousands):

	Foreign Currency Risk by Investment Type at Fair Value			
Currency	**Short Term**	**Equities**	**Other Investments**	**Total**
Australian Dollar	$ 204	$ 71,203	$ -	$ 71,407
Brazilian Real	62	16,422	-	16,484
British Pound Sterling	11,235	638,434	50,674	700,343
Canadian Dollar	320	69,217	-	69,537
Chilean Peso	-	1,933	-	1,933
Columbian Peso	28	913	-	941
Czech Koruna	11	304	-	315
Danish Krone	6	40,478	-	40,484
Euro Currency	3,349	859,872	259,714	1,122,935
Hong Kong Dollar	504	113,970	-	114,474
Hungarian Forint	12	367	-	379
Indonesian Rupiah	17	3,644	-	3,661
Israeli Shekel	60	6,585	-	6,645
Japanese Yen	3,701	608,229	-	611,930
Malaysian Ringgit	19	5,436	-	5,455
Mexican Peso	24	8,577	47,465	56,066
New Taiwan Dollar	823	23,331	-	24,154
New Zealand Dollar	36	1,981	-	2,017
Norwegian Krone	236	20,840	-	21,076
Philippine Peso	28	2,373	-	2,401
Polish Zloty	24	2,563	-	2,587
Singapore Dollar	104	26,745	-	26,849
South African Rand	49	14,283	-	14,332
South Korean Won	48	61,779	-	61,827
Swedish Krona	80	60,997	-	61,077
Swiss Franc	1,030	210,169	-	211,199
Thailand Baht	-	9,616	-	9,616
Turkish Lira	40	2,522	-	2,562
Total	$ 22,050	$ 2,882,783	$ 357,853	$ 3,262,686

G. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. Industrial Commission

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, The Northern Trust Company, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2015. The Northern Trust Company's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. U.S. securities are loaned for collateral valued at 102% of the fair value of securities plus any accrued interest. International securities are loaned for collateral valued at 105% of the fair value of securities plus any accrued interest. The fair value at June 30, 2015 for loaned securities collateralized by cash and non-cash collateral was $23.8 million and $2.0 million, respectively. As part of the securities lending transactions, The Northern Trust Company received cash and non-cash collateral valued at $24.3 million and $2.0 million, respectively, at June 30, 2015. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower although the average term of the Commission's loans was approximately 73 days, as of June 30, 2015. Cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 26 days, as of June 30, 2015. There are no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to the Commission on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Position. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2015, the Commission had $24.3 million outstanding as payable for securities lending. A maximum restriction on the amount of securities that can be lent out at any one-time of $43.976 million was set by the Commission on September 29, 2008. This restriction was revised by the Commission on September 15, 2014, and the new maximum restriction on the amount of securities that can be lent out at any one-time was set at 13% of the total investment portfolio.

2. Arizona State Retirement System

The ASRS is permitted by A.R.S. § 38-718(G) to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with borrowers to loan securities and have the same securities redelivered at a later date. Securities eligible for loan include U.S. fixed income securities, U.S. equities, and international equities. The ASRS currently receives as collateral at least 102% of the fair value of the loaned securities and maintains collateral at no less than 100% for the duration of the loan. At year-end, the ASRS had limited counter party risk to borrowers because the collateral held by the ASRS for each loan exceeded the fair value owed to the ASRS. Securities loaned are initially fully collateralized by cash (USD), U.S. Government or agency securities, sovereign debt, corporate bonds and/or equities. Cash collateral may be reinvested (under certain constraints) in: a) instruments issued or fully guaranteed by the U.S. Government, Federal agencies, or sponsored agencies or sponsored corporations, b) repurchase agreements, and c) money market mutual funds. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. Investments made with cash collateral are classified as an asset on the Statement of Fiduciary Net Position. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2015, the fair value of securities on loan was $2.8 billion; of which $305.6 million were cash collateralized loans. Cash of $314.7 million received as collateral for securities loaned was reinvested and had a net position value of $314.8 million, as of June 30, 2015. The securities lending payable at June 30, 2015 was $314.7 million. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. There is a restriction of $3.5 billion on the dollar amount of security loans that may be made by the ASRS. The ASRS is indemnified against gross negligence and borrower default by the lending agents, but is not indemnified against cash collateral reinvestment risk.

3. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan

The PSPRS, the EORP, and the CORP are permitted by A.R.S. Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2015, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were $253.0 million, $13.1 million, and $65.9 million, respectively. At June 30, 2015, the fair value of the associated collateral for the PSPRS, the EORP, and the CORP were $260.7 million, $13.5 million, and $67.8 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the retirement system or plan.

4. State Treasurer

The State Treasurer is permitted under A.R.S. § 35-313 and § 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash (U.S. currency), U.S. and international equities, and other assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. Securities are loaned for collateral valued at not less than 102% of the fair value of the securities loaned at the close of trading on the preceding business day. Investments made with cash collateral are done on an individual investment pool basis and are restricted to the limitations for that investment pool set forth in the State Treasurer's investment policy, except for investments made for certain endowment equity pools. Permitted investments for these equity pools include those investments authorized in section IV of the State Treasurer's investment policy. Cash collateral investments include: a) obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities including repurchase and tri-party repurchase agreements collateralized at no less than 102% by securities, 100% by cash, and 102% by mortgage-backed securities and b) U.S. 2a-7 money market mutual funds which are regulated by the Securities and Exchange Commission and rated in the highest category by at least one NRSRO.

The State Treasurer records the cash collateral received as an asset and the same amount as obligations under securities loan agreements. As of June 30, 2015, the cost and fair value of securities on loan were $740.6 million and $896.9 million, respectively. The associated fair value of the invested collateral was $932.3 million, of which $529.3 million was invested cash collateral. All securities loans can be terminated on demand by either the State Treasurer or the borrower. For the cash collateral investments, the weighted average maturity was one day. The State Treasurer does not have the ability to pledge or sell the non-cash collateral unless there is a borrower default. The State Treasurer is indemnified against gross negligence, bad faith, or willful misconduct and borrower default by the lending agent. There were no borrower defaults during the current fiscal year. At June 30, 2015, the State Treasurer had $529.3 million outstanding as payable for securities lending, and the following securities on loan were uninsured and held by the bank trust department not in the Treasurer's name:

Corporate notes	$ 23,444,672
U.S. Treasury securities	21,798,979
Equities	334,153,817
Total Fair Value	$ 379,397,468

H. DERIVATIVES

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- Settlement factors: It has one or more reference rates and one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.

- Leverage: It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

- Net Settlement: Its terms require or permit net settlement, it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The ASRS is the primary State agency that has investment derivatives. The ASRS's derivatives are considered "Investment Derivative Instruments" as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. All funds are considered fiduciary funds.

The ASRS's derivative instruments, which consist of futures contracts, forward contracts, options, swaps, rights, and warrants, are measured at fair value and reported on the Statement of Fiduciary Net Position. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments on the Statement of Changes in Fiduciary Net Position.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2015 financial statements are as follows (expressed in thousands):

Investment Derivatives by Type

	Changes in Fair Value (1)		Fair Value at June 30, 2015		
Investment Derivatives	**Classification**	**Amount (2)**	**Classification**	**Amount**	**Notional (3)**
Commodity futures long	Net increase (decrease) in fair value of investments	$ (253,719)	Not applicable	$ -	$ 217,612
Commodity futures short	Net increase (decrease) in fair value of investments	20,742	Not applicable	-	(39)
Fixed income futures long	Net increase (decrease) in fair value of investments	2,802	Not applicable	-	63,200
Fixed income futures short	Net increase (decrease) in fair value of investments	(312)	Not applicable	-	(19,000)
Foreign currency futures long	Net increase (decrease) in fair value of investments	(113,112)	Not applicable	-	-
Foreign currency options written	Net increase (decrease) in fair value of investments	106	Fixed income securities	-	-
Foreign currency forwards	Net increase (decrease) in fair value of investments	(37,321)	Forward contracts receivable	3	1,427
Index futures long	Net increase (decrease) in fair value of investments	101,020	Not applicable	-	199
Receive fixed interest rate swaps	Net increase (decrease) in fair value of investments	236	Fixed income securities	-	-
Rights	Net increase (decrease) in fair value of investments	152	Equity securities	506	1,294
Warrants	Net increase (decrease) in fair value of investments	391	Equity securities	70	210
Total		$ (279,015)		$ 579	$ 264,903

(1) Excludes futures margin payments.
(2) Negative values refer to losses.
(3) Notional denotes the number of units held of each particular derivative instrument. A dollar sign indicates currency units. Negative values refer to short positions.

The fair value of derivative instruments reported by the ASRS is based on quoted market prices off national exchanges. The fair value of foreign currency forward contracts is based on mathematical models and is valued using a pricing service, which uses published Reuter's foreign currency rates as the primary source for the calculation.

The credit quality ratings of counterparties as described by NRSROs and the counterparties' related risk concentration, as of June 30, 2015, are as follows (expressed in thousands):

Counterparty Risk and Ratings

Counterparty Name	Total Net Exposure	Risk Concentration	Ratings S&P	Ratings Fitch	Ratings Moody's
Goldman Sachs	$ 3	100.00%	A-	A	A3
Total	$ 3	100.00%			

The maximum amount of loss due to credit risk that the ASRS would incur if the counterparties to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security or netting arrangement, is the total unrealized gain of derivatives at the end of the reporting period.

The ASRS has no general investment policy requiring collateral or other security to support derivative instruments. Each investment manager hired has discretion with respect to derivative investments and risk control. Each investment manager is governed by its Investment Manager Agreement.

The ASRS has no general investment policy with respect to netting arrangements. The ASRS's investment managers have master netting arrangements to allow net settlement with the same counterparty in the event the counterparty defaults on its obligations.

The aggregate fair value of investment derivative instruments in asset positions at June 30, 2015 was $3 thousand. This represents the maximum amount of loss in case of default of all counterparties of over-the-counter positions as of June 30, 2015. There was no collateral received or netting arrangements in place as of June 30, 2015 with counterparties that would reduce this exposure.

The ASRS has exposure to interest rate risk due to the investment in fixed income futures. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The fair value balance and notional amount of the fixed income futures outstanding at June 30, 2015, for the year then ended, as reported in the June 30, 2015 financial statements are as follows (expressed in thousands):

Derivative Instruments Highly Sensitive to Interest Rate Changes

Asset ID	Asset Description	Interest Rate	Fair Value	Notional (1)
FIXED INCOME FUTURES LONG				
ADI09X7N4	US 2YR NOTE (CBT) SEP 15	0.00%	$ -	$ 24,200
ADI0BHMD1	US 10YR NOTE (CBT) SEP 15	0.00%	-	10,900
ADI0BJ3D8	US 5YR NOTE (CBT) SEP 15	0.00%	-	20,500
ADI0BJHW1	US LONG BOND (CBT) SEP 15	0.00%	-	3,300
ADI0CFVN2	US ULTRA BOND (CBT) SEP 15	0.00%	-	4,300
Total Fixed Income Futures Long			$ -	$ 63,200
FIXED INCOME FUTURES SHORT				
ADI0BHMD1	US 10YR NOTE (CBT) SEP 15	0.00%	$ -	$ (19,000)
Total Fixed Income Futures Short			$ -	$ (19,000)

(1) Notional denotes the number of units held of each particular derivative instrument. Negative values refer to short positions.

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule in Note 2.F.

Refer to Note 7.A.4.c. for information on debt derivatives utilized by the ASU.

I. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues separately published Annual Audited Financial Statements. These financial statements provide additional information relating to the State Treasurer's total investing activities, including the investment trust funds. A copy of the State Treasurer's Office Annual Audited Financial Statements can be obtained from their office at: Office of the Arizona State Treasurer, 1700 W. Washington Street, Phoenix, AZ 85007, (602) 542-7800, or their website at www.aztreasury.gov.

NOTE 3. RECEIVABLES/UNAVAILABLE REVENUE/UNEARNED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2015 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Government-wide Total
Sales	$ 525,125	$ -	$ 53,874	$ -	$ 578,999
Income – individual and corporate	148,622	-	-	-	148,622
Motor vehicle and fuel	-	80,335	-	-	80,335
Luxury	6,879	-	19,269	-	26,148
Unemployment	-	-	-	95,805	95,805
Other	-	-	5,016	-	5,016
Gross taxes receivable	680,626	80,335	78,159	95,805	934,925
Allowance for uncollectible taxes	(335,533)	-	-	-	(335,533)
Net Taxes Receivable	$ 345,093	$ 80,335	$ 78,159	$ 95,805	$ 599,392

B. UNAVAILABLE REVENUE

At June 30, 2015, the components of unavailable revenue for governmental funds were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Other Governmental Funds	Total Governmental Funds
Unavailable Revenue for Governmental Funds:					
Delinquent sales and income tax	$ 71,118	$ -	$ -	$ -	$ 71,118
Tobacco settlement	50,000	-	-	-	50,000
Child support administrative reimbursements	4,375	-	-	-	4,375
Federal grants	95,204	-	-	-	95,204
Drug Rebates	153,758	-	-	-	153,758
Land sales receivable	-	-	470,786	-	470,786
Land leases receivable	-	-	2,703	-	2,703
Other	1,332	819	-	814	2,965
Total Unavailable Revenue for Governmental Funds	$ 375,787	$ 819	$ 473,489	$ 814	$ 850,909

C. UNEARNED REVENUE

At June 30, 2015, the components of unearned revenue were as follows (expressed in thousands):

Unearned Revenue for Governmental Funds:	**Current**	**Noncurrent**	**Total Unearned Revenue**
General Fund:			
Advance insurance premium taxes	$ 47,253	$ -	$ 47,253
Advance land lease payments	291	3,389	3,680
Advance county acute and long term care payments	23,235	-	23,235
Vaccine and commodity food supplement	747	-	747
Land Endowments Fund:			
Advance land lease payments	25,584	84,588	110,172
Non-Major Funds:			
Advance payments for Hawaii/Arizona PMMIS Alliance	1,301	-	1,301
Total Unearned Revenue for Governmental Funds	$ 98,411	$ 87,977	$ 186,388

Unearned Revenue for Proprietary Funds:	**Current**
Universities:	
Unexpended cash advances received	$ 66,833
Auxiliary sales and services	8,334
Student tuition and fees	84,306
Deposits	1,211
Other	3,927
Non-Major Funds:	
Magazine subscriptions	1,964
Other	229
Internal Service Funds:	
Other	32
Total Unearned Revenue for Proprietary Funds	$ 166,836

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2015 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 3,046,110	$ 74,450	$ (6,405)	$ 1,769	$ 3,115,924
Construction in progress	2,916,383	521,188	(1,978,483)	644	1,459,732
Development in progress	58,567	46,872	0	0	105,439
Infrastructure	13,778,329	2,014,581	(47,553)	(12,788)	15,732,569
Total Non-depreciable Capital Assets	19,799,389	2,657,091	(2,032,441)	(10,375)	20,413,664
Depreciable capital assets:					
Buildings	2,315,821	20,828	(1,302)	3,581	2,338,928
Improvements other than buildings	172,687	14,368	(117)	15,747	202,685
Equipment	826,478	75,598	(54,082)	4,400	852,394
Software and other intangibles	251,407	0	(366)	0	251,041
Infrastructure	22,876	0	0	11	22,887
Total Depreciable Capital Assets	3,589,269	110,794	(55,867)	23,739	3,667,935
Less accumulated depreciation for:					
Buildings	(834,561)	(59,158)	920	2,538	(890,261)
Improvements other than buildings	(98,276)	(5,067)	83	64	(103,196)
Equipment	(617,321)	(63,140)	51,177	936	(628,348)
Software and other intangibles	(201,768)	(5,865)	366	0	(207,267)
Infrastructure	(12,623)	(548)	0	148	(13,023)
Total Accumulated Depreciation	(1,764,549)	(133,778)	52,546	3,686	(1,842,095)
Total Depreciable Capital Assets, Net	1,824,720	(22,984)	(3,321)	27,425	1,825,840
Total Governmental Activities Capital Assets, Net	$ 21,624,109	$ 2,634,107	$ (2,035,762)	$ 17,050	$ 22,239,504

	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type Activities:					
Non-depreciable capital assets:					
Land	$ 229,637	$ 24,372	$ (6,943)	$ -	$ 247,066
Construction in progress	289,275	346,667	-	(294,182)	341,760
Development in progress	9,885	51,830	-	(911)	60,804
Collections	20,114	188	(74)	-	20,228
Total Non-depreciable Capital Assets	548,911	423,057	(7,017)	(295,093)	669,858
Depreciable capital assets:					
Buildings	5,300,980	126,338	(91)	245,426	5,672,653
Improvements other than buildings	23,092	113	(3,492)	-	19,713
Equipment	1,551,345	82,849	(33,789)	-	1,600,405
Software and other intangibles	131,982	1,863	-	911	134,756
Infrastructure	478,015	7,020	-	48,757	533,792
Total Depreciable Capital Assets	7,485,414	218,183	(37,372)	295,094	7,961,319
Less accumulated depreciation for:					
Buildings	(2,088,219)	(162,137)	91	-	(2,250,265)
Improvements other than buildings	(14,665)	(952)	3,492	-	(12,125)
Equipment	(1,162,830)	(84,704)	30,802	(2)	(1,216,734)
Software and other intangibles	(74,672)	(12,906)	-	-	(87,578)
Infrastructure	(200,221)	(17,516)	-	-	(217,737)
Total Accumulated Depreciation	(3,540,607)	(278,215)	34,385	(2)	(3,784,439)
Total Depreciable Capital Assets, Net	3,944,807	(60,032)	(2,987)	295,092	4,176,880
Total Business-type Activities Capital Assets, Net	$ 4,493,718	$ 363,025	$ (10,004)	$ (1)	$ 4,846,738

Depreciation expense was charged to governmental functions as follows (expressed in thousands):

General government	$ 20,479
Health and welfare	21,312
Inspection and regulation	988
Education	2,430
Protection and safety	61,657
Transportation	18,390
Natural resources	8,522
Total Governmental Activities	$ 133,778

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

Universities	$ 274,610
Other	3,605
Total Business-type Activities	$ 278,215

NOTE 5. PENSION BENEFITS

The State contributes to eighteen plans. The ASRS, PSPRS – Department of Public Safety (PSA), CORP – Department of Corrections (DCA), and EORP are described below. Benefits are established by State statutes and provide retirement, disability, and survivor benefits to State employees. The PSRPS' Attorney General Investigators, Department of Liquor License and Control Investigators, the ASU Campus Police, the NAU Campus Police, the U of A Campus Police, State Park Rangers, Department of Emergency and Military Affairs, and Game and Fish Department agent multiple-employer defined benefit pension plans are not further disclosed because of their relative insignificance to the State's financial statements. The CORP's Department of Juvenile Corrections, Department of Public Safety Dispatchers, and Department of Public Safety Detention agent multiple-employer defined benefit pension plans are not further disclosed because of their relative insignificance to the State's financial statements. Also, the Elected Officials' Defined Contribution Retirement System, the Teachers Insurance Annuity Association/College Retirement Equities Fund, and Fidelity Investments Tax-Exempt Services Company defined contribution plans are not further disclosed because of their relative insignificance to the State's financial statements.

Changes in the State's net pension liability during the fiscal year ended June 30, 2015, were as follows (expressed in thousands):

	Governmental Activities	Business-type Activities
Beginning balance	$ 3,394,933	$ 1,386,829
Increases	834,491	134,081
Decreases	(622,410)	(221,266)
Ending balance	$ 3,607,014	$ 1,299,644

For the year ended June 30, 2015, the State recognized pension expense for all plans to which it contributes of $539.9 million and $38.2 million of grant expense for EORP. Also, the State reported $226.0 million of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes and $4.1 million of grant expenditures related to EORP.

A. ARIZONA STATE RETIREMENT SYSTEM

Benefits Provided—Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent of the members' annual covered payroll, and the State was required by statute to contribute at the actuarially determined rate of 10.89 percent of the active members' annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate 9.31 percent of annual covered payroll of retired members who worked for the State in positions that would typically be filled by an employee who contributes to the ASRS. The State's contributions to the pension plan for the year ended June 30, 2015, were $217.4 million.

During fiscal year 2015, the State paid for ASRS pension contributions as follows: 69.02 percent from the General Fund, 16.05 percent from major funds, and 14.93 percent from other funds.

Pension Liability—At June 30, 2015, the State reported a liability of $3.2 billion for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The State's proportion of the net pension liability was based on the State's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The State's proportion measured as of June 30, 2014, was 21.36 percent, which was an increase of .57 percent from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2015, the State recognized pension expense for ASRS of $236.4 million. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 160,642	$ -
Net difference between projected and actual earnings on pension plan investments	-	552,728
Changes in proportion and differences between State contributions and proportionate share of contributions	72,107	6,820
State contributions subsequent to the measurement date	217,388	-
Total	$ 450,137	$ 559,548

The $217.4 million reported as deferred outflows of resources related to ASRS pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (expressed in thousands):

Year ending June 30	
2016	$ (39,952)
2017	(39,952)
2018	(108,713)
2019	(138,182)

Actuarial Assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the 5 year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate—The following table presents the State's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate (expressed in thousands):

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension liability	$ 3,995,100	$ 3,160,809	$ 2,708,164

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND CORRECTIONS OFFICER RETIREMENT PLAN

Benefits Provided—PSPRS and CORP Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
PSPRS Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent:		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5 % per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
CORP Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years any age 10 years age 62	25 years and age 52.5 10 years age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent:		
Normal retirement	2.0% to 2.5% for each year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary disability retirement	2.5% per year of credited service	
Survivor Benefit		
Retired members	80% of retired member's pension benefit	
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms—At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS PSA	CORP DCA
Retirees or beneficiaries currently receiving benefits	1,211	2,642
Inactive employees entitled to but not yet receiving benefits	169	709
Active employees	981	8,139
Total	2,361	11,490

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits

employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS PSA	CORP DCA
Active members - Pension	6.05%*	8.41%
State - Pension	60.30%*	13.15%

* Per A.R.S. § 38-843B, for the PSPRS, the State has the option of increasing its contributions in order to reduce the contributions required from its members. The PSPRS – PSA rates have been adjusted to reflect that the State pays 5% of the members' share.

In addition, the State was required by statute to contribute at the actuarially determined rate of 19.65 percent for the PSPRS and 7.34 percent for the CORP of annual covered payroll of retired members who worked for the State in positions that would typically be filled by an employee who contributes to the PSPRS or CORP.

The State's contributions to the pension plan for the year ended June 30, 2015, were (expressed in thousands):

	PSPRS PSA	CORP DCA
Pension contributions made	$ 40,328	$ 43,105

During fiscal year 2015, the State paid for PSPRS and CORP pension contributions as follows: 57.41 percent from the General Fund and 42.59 percent from other funds.

Pension Liability—At June 30, 2015, the State reported the following net pension liabilities (expressed in thousands):

	Net Pension Liability
PSPRS - PSA	$ 653,668
CORP - DCA	620,092

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

• In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

• The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Actuarial Assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS and CORP - Pension	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0% for PSPRS and 4.0%-7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for males and females)

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Discount Rates—The following discount rates were used to measure the total pension liabilities:

	PSPRS PSA	CORP DCA
Discount rates	7.85%	7.85%

The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability
(expressed in thousands)

	Increase (Decrease)		
PSPRS - PSA	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2014	$ 877,415	$ 345,462	$ 531,953
Changes for the year:			
Service cost	13,111	-	13,111
Interest on the total pension liability	66,664	-	66,664
Changes of benefit terms	23,768	-	23,768
Differences between expected and actual experience in the measurement of the pension liability	(3,711)	-	(3,711)
Changes of assumptions or other inputs	107,172	-	107,172
Contributions - employer	-	34,965	(34,965)
Contributions - employee	-	4,080	(4,080)
Net investment income	-	46,223	(46,223)
Benefit payments, including refunds of employee contributions	(69,497)	(69,497)	-
Administrative expense	-	(372)	372
Other changes	-	393	(393)
Net changes	137,507	15,792	121,715
Balances at June 30, 2015	$ 1,014,922	$ 361,254	$ 653,668

	Increase (Decrease)		
CORP - DCA	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2014	$ 1,195,822	$ 696,469	$ 499,353
Changes for the year:			
Service cost	48,061	-	48,061
Interest on the total pension liability	92,486	-	92,486
Changes of benefit terms	21,354	-	21,354
Differences between expected and actual experience in the measurement of the pension liability	(3,818)	-	(3,818)
Changes of assumptions or other inputs	125,557	-	125,557
Contributions - employer	-	40,166	(40,166)
Contributions - employee	-	27,722	(27,722)
Net investment income	-	96,216	(96,216)
Benefit payments, including refunds of employee contributions	(83,365)	(83,365)	-
Administrative expense	-	(757)	757
Other changes	-	(446)	446
Net changes	200,275	79,536	120,739
Balances at June 30, 2015	$ 1,396,097	$ 776,005	$ 620,092

Sensitivity of the State's Net Pension Liability to Changes in the Discount Rate—The following table presents the State's net pension liabilities calculated using the discount rates noted above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (expressed in thousands):

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - PSA			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 761,568	$ 653,668	$ 562,643
CORP - DCA			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 800,059	$ 620,092	$ 470,906

Pension Plan Fiduciary Net Position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension Expense—For the year ended June 30, 2015, the State recognized the following pension expense (expressed in thousands):

	Pension Expense
PSPRS - PSA	$ 92,116
CORP - DCA	92,124

Deferred Outflows/Inflows of Resources—At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSPRS – PSA	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,869
Changes of assumptions or other inputs	82,849	-
Net difference between projected and actual earnings on pension plan investments	-	15,417
State contributions subsequent to the measurement date	40,328	-
Total	$ 123,177	$ 18,286

CORP – DCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,159
Changes of assumptions or other inputs	103,882	-
Net difference between projected and actual earnings on pension plan investments	-	31,942
State contributions subsequent to the measurement date	43,105	-
Total	$ 146,987	$ 35,101

The amounts reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30	PSPRS PSA	CORP DCA
2016	$ 19,626	$ 13,030
2017	19,626	13,030
2018	19,626	13,030
2019	5,685	13,030
2020	-	16,661

C. ELECTED OFFICIALS' RETIREMENT PLAN

Benefits Provided—Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

	Initial Membership Date: Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years and age 65 5 years any age* any years and age if disabled	10 years age 62 5 years and age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent:		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of .25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the State was required to contribute 23.50 percent of active EORP members' annual covered payroll. In addition, the State was required by statute to contribute 23.50 percent of annual covered payroll of retired members who worked for the State in positions that would typically be filled by an employee who contributes to the EORP. The State's contributions to the pension plan for the year ended June 30, 2015, were $8.0 million, including $4.1 million related to State support, as a nonemployer contributing entity.

During fiscal year 2015, the State paid for EORP pension contributions as follows: 97.69 percent from the General Fund and 2.31 percent from other funds. In addition, during fiscal year 2015, the State, as a nonemployer contributing entity, paid for EORP pension contributions as follows: 100.00 percent from the General Fund.

Pension Liability—At June 30, 2015, the amount the State recognized as its proportionate share of the net pension liability, the related State support, as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the State were as follows (expressed in thousands):

State's proportionate share of the EORP net pension liability	$ 121,797
State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity	128,776
Total	$ 250,573

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The State's proportion of the net pension liability, as of June 30, 2013 and 2014, was based on the State's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2014. The State's proportion, measured as of June 30, 2013 and 2014, was 18.16 percent. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2013 and 2014, was 19.20 percent.

Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2015, the State recognized pension expense for EORP of $36.1 million. In addition, the State recognized grant expense of $38.2 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2015, the State and the State, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	The State		The State, as a nonemployer contributing entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 535	$ -	$ 566	$ -
Changes of assumptions or other inputs	32,961	-	34,850	-
Net difference between projected and actual earnings on pension plan investments	-	2,309	-	2,442
State contributions subsequent to the measurement date	3,928	-	4,066	-
Total	$ 37,424	$ 2,309	$ 39,482	$ 2,442

The amounts reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows (expressed in thousands):

Year ending June 30	The State	The State, as a nonemployer contributing entity
2016	$ 18,713	$ 19,786
2017	13,628	14,409
2018	(577)	(610)
2019	(577)	(611)

Actuarial Assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Discount Rate—At June 30, 2014, the discount rate used to measure the EORP total pension liability was 5.67 percent, which was a decrease of 2.18 from the discount rate used as of June 30, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and non-employer contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended

June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 26, 2014, was applied to periods of projected benefit payments after June 30, 2030.

Sensitivity of the State's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate—The following table presents the State's and the State's, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the State's and the State's, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate (expressed in thousands):

	1% Decrease (4.67%)	Current Discount Rate (5.67%)	1% Increase (6.67%)
State's proportionate share of the net pension liability	$142,188	$121,797	$104,580
State's proportionate share of the net pension liability, as a nonemployer contributing entity	150,335	128,776	110,572

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

Cost-sharing plans

In addition to the pension benefits described, the ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. Information on how to obtain this report is included in Note 1.A.

In addition to the pension benefits described, the EORP provides health insurance premium subsidy benefits to retired members, which is a cost-sharing, multiple employer defined benefit post-employment plan. Title 38, Chapter 5 of the A.R.S. assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. As of July 1, 2013, the EORP administers a separate healthcare plan as defined under IRC § 401(h). In addition, the EORP is statutorily authorized, by A.R.S. § 38-817, to maintain a separate account for the health insurance subsidy assets and benefit payments. The health insurance subsidy assets are accounted for by employer and are available to pay only the health insurance benefit. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes.

Agent plans

In addition to pension benefits described, the PSPRS and the CORP each provide a health insurance premium subsidy benefit to retired members and survivors, which are agent, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the A.R.S. assigns the authority to establish and amend the health insurance premium subsidy benefit provisions to the Arizona State Legislature. As of July 1, 2013, the PSPRS and the CORP each administers a separate healthcare plan as defined under IRC § 401(h). In addition, the PSPRS and the CORP are statutorily authorized, by A.R.S. § 38-857 and A.R.S. § 38-906, respectively, to maintain a separate account for the health insurance premium subsidy assets and benefit payments. The health insurance premium subsidy assets are accounted for by employer and are available to pay only the health insurance premium benefit. The PSPRS and the CORP each issue publicly available financial reports that include the financial information and disclosure requirements for the health insurance subsidy benefits. Information on how to obtain these reports is included in Note 1.A.

However, the PSPRS and the CORP OPEB benefits are relatively insignificant to the State's financial statements and, therefore, are not further described in these notes.

Single-employer plan

The Arizona Department of Administration (ADOA) administers a single-employer defined benefit post-employment plan that provides medical and accident benefits to retired State employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis which is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State and the active population. As of June 30, 2015, the plan had 53,454 active employees and 6,951 retirees and dependents receiving benefits. ADOA does not issue a separate, publicly available financial report.

B. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Cost-sharing plan

For the ASRS HBS and LTD plans, contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payments is made.

Single-employer plan

The ADOA plan's implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The net OPEB obligation is allocated to significant participating funds based on their proportionate share of active benefit eligible employees and recorded in the government-wide and proprietary fund financial statements.

C. FUNDING POLICY

Cost-sharing plan

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the A.R.S. These contribution requirements are established and may be amended by the Arizona State Legislature. For the year ended June 30, 2015, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 0.12% of the members' annual covered payroll for LTD. In addition, the State also contributed 0.59% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2015, 2014, and 2013 were $2.4 million, $4.5 million, and $4.3 million, respectively, for the primary government which were equal to the required contributions for these years. The State's contributions for the HBS to the ASRS for the years ended June 30, 2015, 2014, and 2013 were $11.6 million, $11.3 million, and $11.8 million, respectively, for the primary government which were equal to the required contributions for these years.

Single-employer plan

The ADOA's current funding policy is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the actuarial accrued liability. To the extent that the calculated annual required contribution exceeds the annual pay-as-you-go cost of providing OPEB benefits, a net OPEB obligation is created. The State's contribution for the ADOA OPEB for the years ended June 30, 2015, 2014, and 2013 were $13.7 million, $13.4 million and $11.8 million, respectively, for the primary government.

D. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The State's annual OPEB cost, OPEB contributions made, and changes in the State's net OPEB obligation of the ADOA single-employer defined benefit post-employment plan for the year ended June 30, 2015, are as follows (expressed in thousands):

Annual required contribution	$ 22,095
Interest on net OPEB obligation	811
Adjustment to annual required contribution	(753)
Annual OPEB cost (expense)	22,153
Contributions made	(13,721)
Increase in net OPEB obligation	8,432
Net OPEB obligation-beginning of year	20,285
Net OPEB obligation-end of year	$ 28,717

The State's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and the two preceding years of the ADOA single-employer defined benefit post-employment plan, are as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 22,153	61.9%	$ 28,717
6/30/2014	21,247	63.1%	20,285
6/30/2013	18,136	65.1%	12,445

E. FUNDED STATUS AND FUNDING PROGESS

The State's funded status for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation is as follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
6/30/2014	-	$ 242,946	$ (242,946)	0.0%	$ 3,051,816	(8.0)%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's actuarial methods and significant assumptions for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	entry age normal, level dollar
Actuarial assumptions:	
Investment rate of return	n/a
Projected salary increases	3.5%
Discount rate	4.0%
Cost-of-living adjustments	none
Healthcare cost trend rate	8.0% initial
	4.5% ultimate
Amortization method	level percent-of-pay, open
Remaining amortization period	30 years

NOTE 7. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Department of Administration

The State has pledged portions of its revenues towards the payment of debt service on the State Lottery Revenue Bonds Series 2010A. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are payable solely from and secured by pledged revenues consisting of, until July 1, 2012, amounts distributable to the State's General Fund from the State Lottery pursuant to Lottery law, and from and after July 1, 2012, all Lottery revenues deposited to the Lottery Fund net of operating expenses of the Lottery. At June 30, 2015, pledged revenues totaled $172.1 million, of which 21.8% ($37.5 million) was required to cover debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of July 1, 2029 is $525.0 million.

2. Arizona Department of Transportation

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $1.7 billion.

On January 28, 2015, the ADOT issued $377.5 million of Highway Revenue Refunding Bonds, Series 2015 (2015 Bonds). The 2015 Bonds were issued at a premium of $75.5 million. The net proceeds were used to (i) advance refund portions of the Senior Series 2005B ($7.3 million), Senior Series 2006 ($18.4 million), Senior Series 2008A ($194.0 million), and Senior Series 2008B ($181.1 million) Highway Revenue Bonds with a combined outstanding principal balance of $441.8 million and (ii) pay costs of issuance. The advance refunding resulted in a combined total debt service savings of $40.8 million and a combined net present value economic gain of $31.5 million (difference between the present values of the old debt and new debt service payments). The advance refunding also resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $38.6 million. This difference, reported as a deferred outflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2033.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of the Highway Revenue Bonds that could be outstanding at any time to $1.3 billion. Also during fiscal year 2007, the ADOT received legislative authority to begin issuing Highway Revenue Bonds with maturities of up to 30 years in length, replacing the 20 year maturity requirement that had been in place since 1980.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay $1.6 billion in outstanding Highway Revenue Bonds issued since 2005. Proceeds from the bonds finance portions of the ADOT's Five Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through

2038. The total principal and interest remaining to be paid on the bonds is $2.4 billion. Principal and interest paid for the current year and total pledged revenues were $137.6 million and $566.4 million, respectively. The annual principal and interest payments on the bonds required 24.3% of the pledged revenues.

The Maricopa County Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $867.4 million.

On December 18, 2014, the ADOT issued $376.8 million of Transportation Excise Tax Revenue Refunding Bonds Series 2014 (2014 Bonds). The 2014 Bonds were issued at a premium of $74.0 million. The net proceeds were used to (i) advance refund portions of the Senior Series 2007 ($200.5 million), Senior Series 2009 ($174.6 million), and Senior Series 2010 ($15.4 million) Transportation Excise Tax Revenue Bonds with a combined outstanding principal balance of $735.6 million and (ii) pay costs of issuance. The advance refunding resulted in a combined total debt service savings of $31.8 million and a combined net present value economic gain of $27.6 million (difference between the present values of the old debt and new debt service payments). The advance refunding also resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $35.0 million. This difference, reported as a deferred outflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2025.

The ADOT has pledged future transportation excise taxes to repay $782.8 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, AZ. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is $1.0 billion. Principal and interest paid for the current year and total pledged revenues were $103.6 million and $254.9 million, respectively. The annual principal and interest payments on the bonds required 40.6% of the pledged revenues.

In current and prior fiscal years, the ADOT refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for these legally defeased bonds are not reflected in the accompanying financial statements.

3. School Facilities Board

In prior fiscal years, the School Facilities Board (SFB) refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for these legally defeased bonds are not reflected in the accompanying financial statements.

The SFB has pledged portions of its gross revenues towards payment of debt related to State school improvement revenue bonds, State school improvement revenue refunding bonds, and State school trust revenue refunding bonds outstanding at June 30, 2015. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301 and expendable State School Trust Revenues. Expendable State School Trust Revenues include State Trust Lands' land lease revenue, interest earnings on land sales financed over time, and a formula distribution from the State's Permanent Fund prescribed by the State's Constitution. Pledged revenues do not include sales of State Trust Lands, sales of natural products derived from State Trust Lands, or royalties from minerals extracted from State Trust Lands. These revenues are held in perpetuity for the benefit of various beneficiaries of the State Land Trust and are not available to pay debt service. Expendable State School Revenues in excess of $72.263 million are not available to pay debt service on the State school trust revenue refunding bonds per the debt documents. At June 30, 2015, pledged revenues totaled $679.6 million, of which 12.9% ($87.5 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2020 are $417.1 million.

Business-Type Activities

4. Universities

a. University of Arizona

The U of A's bonded debt consists of various issues of system revenue bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and infrastructure and for refunding obligations from previously issued bonds.

For all outstanding SPEED revenue bonds, up to 80% of the debt service payments are payable from the U of A's SPEED revenue bond account monies, which are derived from certain revenues of the Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the U of A's system revenue bonds.

On July 10, 2014, the U of A sold System Revenue Refunding Bonds Series 2014 (2014 Bonds) for $16.025 million dated July 17, 2014. The 2014 Bonds include serial bonds with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2015 to 2029. The 2014 Bonds with maturity on or after June 1, 2025, are subject to optional redemption without premium. The 2014 Bonds sold at a premium of $2.300 million. The U of A realized net proceeds of $18.115 million, after payment of $210 thousand for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the McKale Memorial Center Phase I improvements and to refund the following:

- Current-refund the System Revenue Bonds Series 2004B and a portion of the Series 2005A with an outstanding principal balance of $2.025 million and $1.685 million, respectively. The current refunding generated a net present value economic gain of $261 thousand (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by $25 thousand in the first year and an average of $17 thousand in years two through fifteen.

- Advance-refund a portion of the System Revenue Bonds Series 2006A with an outstanding principal balance of $1.650 million. The advance refunding generated a net present value economic gain of $104 thousand (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance refunding decreases the U of A's debt service by $15 thousand in the first year and an average of $18 thousand in years two through six. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $1.729 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

- The overall refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $254 thousand. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense through the year 2029 using the straight-line method.

On December 2, 2014, the U of A sold SPEED Revenue Bonds Series 2014 for $129.185 million dated December 17, 2014 (2014 SPEED Bonds). The 2014 SPEED Bonds include serial bonds totaling $68.280 million with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2016 to 2034. The 2014 SPEED Bonds also include two term bonds. The first term bond totals $26.755 million with an interest rate of 5.00% and a maturity date of August 1, 2039. The second term bond totals $34.150 million with an interest rate of 5.00% and a maturity date of August 1, 2044.

The serial bonds with maturity on or after August 1, 2025, are subject to optional redemption without premium. The 2014 SPEED Bonds with maturity on August 1, 2039 and August 1, 2044, are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2014 SPEED Bonds sold at a premium of $17.322 million. The U of A realized net proceeds of $145.750 million, after payment of $757 thousand for issuance costs and underwriter discounts. The net proceeds were used to finance the Bioscience Partnership Building and a portion of the Bioscience Research Laboratories.

On March 31, 2015, the U of A sold System Revenue Refunding Bonds Series 2015A (2015A Bonds) for $103.950 million and System Revenue Refunding Bonds Taxable Series 2015B (2015B Bonds) for $14.660 million dated April 29, 2015. The 2015A

Bonds include serial bonds totaling $67.490 million with interest rates of 5.00% on all maturities and maturity dates ranging from 2020 to 2036. The 2015A Bonds also include two term bonds. The first term bond totals $14.425 million with an interest rate of 5.00% and a maturity date of June 1, 2040. The second term bond totals $22.035 million with an interest rate of 4.00% and a maturity date of June 1, 2045. The 2015B Bonds include serial bonds totaling $14.660 million with interest rates ranging from 0.65% to 1.93% and maturity dates ranging from 2016 to 2020.

The 2015A Bonds with maturity on or after June 1, 2026, are subject to optional redemption without premium. The 2015A Bonds sold at a premium of $16.026 million. The U of A realized net proceeds of $119.362 million, after payment of $614 thousand for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the Bioscience Research Laboratories and to refund, in advance of maturity, a portion of the System Revenue Bonds Series 2007 and 2008A totaling $14.455 million and $13.270 million, respectively. The advance refunding generated a net present value economic gain of $2.049 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance refunding decreases the U of A's debt service by $645 thousand in the first year and an average of $78 thousand in years two through nineteen. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.951 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2033 using the straight-line method. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $30.353 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

The 2015B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on U.S. Treasury Securities plus 25 basis points. The U of A realized net proceeds of $14.552 million, after payment of $108 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund, in advance of maturity, a portion of the System Revenue Bonds Series 2006A totaling $13.580 million. The advance refunding generated a net present value economic gain of $854 thousand (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance refunding decreases the U of A's debt service by $339 thousand in the first year and an average of $103 thousand in years two through six. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $695 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2020 using the straight-line method. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $14.197 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

The U of A’s outstanding Series 2010 SPEED Revenue Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the U of A is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the U of A must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the U of A by the Federal government may be reduced or eliminated due to such issues as failure by the U of A to submit the required information, any amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. Due to the federal sequestration, the U of A will receive a 7.3% reduction (totaling $118 thousand) in the federal interest subsidy for the August 1, 2015 debt service payment and a 6.8% reduction (totaling $220 thousand) in the federal interest subsidy for the February 1 and August 1, 2016 debt service payments.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2015. The bonds generally provide financing for various capital projects of the U of A. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2015, pledged revenues totaled $1.15 billion, of which 5.0% ($59.3 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 are $1.73 billion.

b. Northern Arizona University

The NAU's bonded debt consists of various issues that are generally callable at a prescribed date with interest payable semi-annually. All issues are at a fixed rate. Bond proceeds primarily pay for acquiring, constructing, or renovating capital facilities.

On May 19, 2015, the NAU sold $45.4 million of Systems Revenue Refunding Bonds Series 2015 with an interest rate of 5.00%. Refunded bonds total $47.6 million and include $770 thousand of the 2004 Systems Revenue Refunding Bonds for maturities from June 1, 2032 to June 1, 2034; $3.6 million from the Systems Revenue Bonds Series 2005 for maturities from June 1, 2030 to June 1, 2035; $30.8 million from the Systems Revenue Bonds Series 2007 for maturities on June 1, 2016 and between June 1, 2019 to June 1, 2037; $12.1 million from the Systems Revenue Bonds Series 2008 for maturities on June 1, 2016, between June 1, 2022 to June 1, 2027, and between June 1, 2029 and June 1, 2030; and $290 thousand of the 2009B Systems Revenue Bond maturing on June 1, 2016. The refunding set aside $52.8 million into escrow that purchased Agency, TNotes, and a TSTRIP with maturities between May 28, 2015 and June 1, 2018. The present value of refunded debt prior to May 19, 2015 was $59.1 million and the net present value of savings was $3.2 million. The advanced refunding decreases the NAU's debt service by $1.2 million in year one and $2.0 million in year two with additional debt service savings of $57 thousand until June 1, 2035.

On August 21, 2014, the NAU entered into a lease agreement with Student and Academic Services LLC (SAS), a subsidiary of the NACFFC. During the 30 year lease term, the NAU will make lease payments on a four-story building of approximately 102,000 gross square feet that will include new classrooms, space for student support services, and office space for faculty. The SAS Lease Revenue Bonds have a par value of $34.3 million. The Lease Revenue Bonds include serial bonds of $16.8 million with interest rates ranging from 2.00% to 5.00%. The 2014 Lease Revenue Bonds also include two term bonds that are subject to annual sinking fund contributions. The first term bond is for $7.7 million with an interest rate of 5.00% that matures June 1, 2039. The second term bond is for $9.8 million with an interest rate of 5.00% that matures June 1, 2044. The average annual debt service is $2.2 million with final maturity on June 1, 2044.

In the current and prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2015, $47.7 million of such bonds outstanding are considered defeased.

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the ARRA. As such, the NAU is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the NAU must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the NAU by the Federal government may be reduced or eliminated due to such issues as failure by the NAU to submit the required information, any amounts owed by the NAU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2015, the Federal government reduced federal direct payment claims filed between December 1, 2014 and September 1, 2015 by 7.3% due to the federal budget sequestration resulting in a $274 thousand reduction in direct payments to the NAU. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as non-operating revenue.

For the 2010 and 2013 revenue bonds, up to 80% of the debt service payments are payable from the NAU's SPEED revenue bond account monies, which are derived from certain revenues of the Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the NAU's system revenue bonds.

The NAU has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2015. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged $233.5 million for the prior five years. For fiscal year 2015, pledged revenues totaled $273.0 million, of which 10.1% ($27.6 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 10.1% of pledged

revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044 are $799.5 million.

c. Arizona State University

At June 30, 2015, the ASU had issued a combination of fixed and variable rate bonds. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all defeased bonds outstanding at June 30, 2015 totaled $178.0 million.

The ASU has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2015. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2015, pledged revenues totaled $1.3 billion, of which 6.3% ($82.3 million, net of federal direct payments) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for senior and subordinate revenue bonds through final maturity of July 1, 2046 are $1.9 billion. In addition to a senior pledge of revenues for the ASU system revenue bonds, the ASU has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2015 were $6.1 million with annual debt service payments of approximately $1.2 million through July 1, 2021.

In June 2008, the Legislature approved the SPEED which provides the ASU with capital improvement funds for critical construction and deferred maintenance projects. SPEED projects are debt financed with revenue bonds and repaid primarily with Lottery revenues. Specifically, up to 80% of SPEED debt service is paid from Lottery revenues, with the balance being the responsibility of the ASU as evidenced by the subordinated pledge of the ASU revenues.

In April 2015, the ASU issued $362.3 million of System Revenue and Refunding Bonds, Series 2015A, B, and C, with an average maturity of 14.8 years and an average interest rate of 3.34%. The bonds were issued to fund the new Downtown Phoenix campus Arizona Center for Law and Society facility, the Tempe campus Psychology Renovation project, Phase I of the Sun Devil Stadium Renovation project, IT Infrastructure Renewal, and to refund various outstanding bonds of the ASU and one of its component units, the ACFFC (Las Casas Student Housing). The refunded debt is considered defeased and related liabilities are not included in the accompanying financial statements. The issuance of the refunding bonds, with an average maturity of 9.6 years and an average interest rate of 2.67%, resulted in a $23.1 million reduction in future debt service payments, with an economic gain of $21.2 million based upon the present value savings.

The Taxable Series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the ARRA. As such, the ASU is eligible to receive Federal Direct Payments from the U.S. Treasury equal to 35% of the interest owed on each interest payment date. The amount paid to the ASU by the Federal government may be reduced or limited due to such issues as failure by the ASU to submit the required information, offsets to reflect any amounts owed by the ASU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2015, the ASU received Federal Direct Payments totaling $3.7 million, net of a $300 thousand or 7.3 percent reduction due to the federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

The ASU has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling $91.6 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2015 was 0.08% for the Series 2008A bonds and 0.06% for the Series 2008B bonds. To provide credit and liquidity support for the bonds, the ASU extended the Irrevocable Transferable Direct-Pay Letter of Credit (LOC) with JPMorgan Chase Bank, N.A. (JPMorgan) through March 18, 2016, under which the ASU has agreed to a commitment fee for the LOC of 0.49% per annum. Should the Series 2008A/B bond rating change, the commitment fee could increase according to the fee agreement. Assuming all of the $45.8 million Series 2008A and $45.8 million Series 2008B bonds are not resold within 365 days, the ASU would be responsible to make quarterly installment principal payments, with the last payment being on the fourth anniversary of JPMorgan acquiring the bonds, plus interest to be calculated as established in the LOC.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2015 totaled $69.8 million.

The ASU presently plans to issue up to $144.0 million in system revenue bonds during the next year.

Effective January 1, 2007, the ASU entered into a $103.0 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding $91.1 million notional amount at June 30, 2015 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2015 was 0.07%. At June 30, 2015, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from counterparty	SIFMA	(0.07)
Net interest rate swap payments		3.84
Variable-rate bond coupon payments	Spread to SIFMA	0.07
Synthetic fixed interest rate on bonds		3.91

The ASU continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the ASU effectively pays a fixed rate on the debt. If the counterparty defaults or if the swap is terminated, the ASU will revert to paying a variable rate. A termination of the swap agreement may also result in the ASU making or receiving a termination payment.

The ASU is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty versus the variable rate paid to bondholders. The swap exposes the ASU to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds.

As of June 30, 2015, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Fitch, A by S&P, and A1 by Moody's as of June 30, 2015. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

As of June 30, 2015, the swap had a fair value of $(16.8) million, which represents the cost to the ASU to terminate the swap. The June 30, 2014 fair value was $(14.1) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, as amended by GASB 63, the fair value of the ASU's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources (interest rate swap) and a liability (derivative instrument - interest rate swap).

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2015 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2015
Governmental Activities:				
Department of Transportation	2005-2015	2016-2038	.94-5.25%	$ 2,372,775
School Facilities Board	2002-2013	2016-2020	.14-5.00%	395,535
Department of Administration	2010	2016-2029	3.00-5.00%	372,880
Business-type Activities:				
University Revenue Bonds	1992-2015	2016-2049	.07-6.64%	2,675,430

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2015 are as follows (expressed in thousands):

	Annual Debt Service						
	Governmental Activities			Business-type Activities			
Fiscal Year	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2016	$ 241,315	$ 138,078	$ 379,393	$ 79,155	$ 126,771	$ 3,393	$ 209,319
2017	241,765	129,986	371,751	91,865	122,305	3,281	217,451
2018	268,565	121,108	389,673	86,710	119,231	3,164	209,105
2019	234,145	112,147	346,292	84,270	116,027	3,042	203,339
2020	242,640	103,660	346,300	95,685	112,146	2,913	210,744
2021-2025	1,021,370	374,381	1,395,751	519,770	490,859	12,401	1,023,030
2026-2030	573,235	162,321	735,556	569,150	354,897	8,072	932,119
2031-2035	246,975	49,870	296,845	481,050	227,362	2,548	710,960
2036-2040	71,180	6,641	77,821	378,890	117,820	-	496,710
2041-2045	-	-	-	243,885	35,956	-	279,841
2046-2049	-	-	-	45,000	2,501	-	47,501
Total	$ 3,141,190	$ 1,198,192	$ 4,339,382	$ 2,675,430	$ 1,825,875	$ 38,814	$ 4,540,119

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The balance of GANs issued in prior years and outstanding at the start of the fiscal year was $247.7 million.

In prior fiscal years, the ADOT refinanced various GAN issues through advance-refunding arrangements. Under the terms of the refunding GAN issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded GAN issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the legally defeased GANs are not reflected in the accompanying financial statements.

The ADOT has pledged federal revenues to repay $194.7 million in outstanding GANs. Proceeds from the GANs pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The GANs are payable solely from federal revenues and are payable through 2026. The total principal and interest remaining to be paid on the GANs is $248.5 million. Principal and interest paid for the current year and total pledged revenues were $64.9 million and $795.9 million, respectively. The annual principal and interest payments on the GANs required 8.2% of the pledged revenues.

Grant Anticipation Notes currently outstanding are as follows (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2015
Governmental Activities:				
Department of Transportation	2009-2012	2016-2026	3.00-5.25%	$ 194,670

Future debt service principal and interest payments on Grant Anticipation Notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

	Annual Debt Service		
	Governmental Activities		
Fiscal Year	Total Principal	Total Interest	Total Debt Service
2016	$ 47,350	$ 9,553	$ 56,903
2017	11,770	7,393	19,163
2018	12,325	6,838	19,163
2019	12,925	6,240	19,165
2020	13,545	5,622	19,167
2021-2025	78,545	17,273	95,818
2026	18,210	956	19,166
Total	$ 194,670	$ 53,875	$ 248,545

C. CERTIFICATES OF PARTICIPATION

Governmental Activities

1. Department of Administration

The State has issued COPs to finance construction or improvements of various capital assets. Additionally, the State issued COPs Series 2010A and 2010B to finance the acquisition of certain property from the State by the trustee, with which the proceeds of were deposited to the State's General Fund to pay appropriated expenditures of the State. The COPs Series 2010A and 2010B sale-leaseback transactions are nominal sales, with the State retaining all rights of ownership and control of the properties. Accordingly, they are accounted for under the financing method since the State has such an extensive continuing involvement in the properties for the entire duration of the agreement. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

In prior fiscal years, the State refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for these legally defeased COPs are not reflected in the accompanying financial statements.

2. School Facilities Board

The SFB Series 2010 COPs are not subject to mandatory sinking fund prepayment. However, as a means to provide a source of funds that will be available to pay the principal with respect to the Series 2010 COPs at maturity, the lease agreement with the trustee for the 2010 COPs will provide for mandatory sinking fund payments to be made as part of the base rent due under the lease. The SFB Series 2010 COPs are subject to extraordinary mandatory prepayment from unexpended proceeds pursuant to the debt documents. On February 6, 2014, the SFB redeemed $9.5 million of the Series 2010 COPs pursuant to the extraordinary mandatory prepayment provisions in the debt documents. Beginning August 15, 2012, annual deposits to the sinking fund were scheduled to be made on August 15 of each year through August 15, 2027, at which time, the accumulated balance (including investment earnings and losses) in the sinking fund will be sufficient to retire the Series 2010 COPs on their stated maturity date of September 1, 2027. The sinking fund deposit requirements were adjusted to reflect the extraordinary mandatory prepayment redemption which occurred on February 6, 2014. All proceeds received from the issuance of the Series 2010 COPs have been expended as of June 30, 2015. As a result, the extraordinary mandatory prepayment discussed above no longer applies. All other prepayment provisions remain in force pursuant to the debt documents.

In current and prior fiscal years, the SFB refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for these legally defeased COPs are not reflected in the accompanying financial statements.

Business-Type Activities

3. Universities

a. University of Arizona

The U of A utilizes COPs and various capital leases to acquire buildings, equipment, and land. The COPs are generally callable, and the capital leases are subject to prepayment.

On April 1, 2015, the U of A issued Refunding COPs Series 2015A (2015A COPs) for $89.5 million and Refunding COPs Taxable Series 2015B (2015B COPs) for $13.8 million dated May 12, 2015. The 2015A COPs include $89.5 million of serial certificates with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2015 to 2025. The 2015B COPs include $13.8 million of taxable serial certificates with interest rates ranging from 0.60% to 3.09% and maturity dates ranging from 2015 to 2025.

The 2015A COPs are subject to extraordinary redemption dates pursuant to the debt documents. The U of A realized net proceeds of $102.3 million, after receipt of a premium of $13.4 million and payment of $568 thousand for issuance costs and underwriter discounts. The net proceeds were used to current-refund $53.7 million and advance-refund $44.2 million of the Series 2005A – 2005D, 2005F – 2005I, 2006A – 2006C, and 2006E COPs. The refunding generated a net present value economic gain of $11.0 million (difference between the present values of the old debt and new debt service payments) for the U of A. The refunding decreases the U of A's debt service by $4.5 million in the 1st year and an average of $655 thousand in years two through eleven. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.1 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2025 using the straight-line method. The refunded COPs will be paid by investments held in an irrevocable trust with a combined carrying value of $46.1 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

The 2015B COPs are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of the remaining debt service payments, discounted to the date of redemption at a rate based on U.S. Treasury Securities plus 25 basis points. There are also extraordinary redemption dates pursuant to the debt documents. The U of A realized net proceeds of $13.6 million, after deducting an issuance discount of $79 thousand and payment of $121 thousand for issuance costs and underwriter discounts. The net proceeds were used to current and advance refund the Series 2006C, 2006D, and 2007A COPs with an outstanding principal balance of $12.5 million. The refunding generated a net present value economic gain of $341 thousand (difference between the present values of the old debt and new debt service payments) for the U of A. The refunding decreases the U of A's debt service by $45 thousand in the first year and an average of $29 thousand in years two through eleven. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.4 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to

interest expense through the year 2025 using the straight-line method. The refunded COPs will be paid by investments held in an irrevocable trust with a combined carrying value of $13.3 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

b. Northern Arizona University

The NAU's COPs consist of various issues that are generally callable at a prescribed date with interest payable semiannually. All issues are at a fixed rate.

On May 20, 2015, the NAU issued $18.8 million of Refunding COPs Series 2015 (2015 COPs) with interest rates ranging from 3.00% to 5.00%. The net proceeds of the 2015 COPs were used to advance-refund the Series 2005 COPs with an outstanding principal balance of $20.5 million and maturities ranging from September 1, 2016 to September 1, 2030. The refunding set aside $21.0 million into escrow that purchased a TSTRIP maturing on August 31, 2015. The present value of the refunded debt service prior to May 20, 2015 was $24.2 million and the net present value savings was $2.3 million. The advance refunding increases the NAU's debt service by an average of $287 thousand per year between June 30, 2016 and June 30, 2020 and decreases debt service by an average of $337 thousand per year between June 30, 2021 and June 30, 2031.

In current and prior fiscal years, the NAU defeased certain COPs by either placing the proceeds of new COPs, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded COPs. Accordingly, the trust account assets and liability for the defeased COPs are not included in the accompanying financial statements. At June 30, 2015, $38.4 million of such outstanding COPs are considered defeased.

c. Arizona State University

At June 30, 2015, the ASU has issued fixed rate COPs. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date.

In August 2014, the ASU issued $84.5 million of refunding COPs to refund the remaining Series 2004 and 2005A COPs. The refunded debt is considered defeased and the related liabilities are not included in the accompanying financial statements. The issuance of the refunding COPs with an average maturity of 10.6 years and an average interest rate of 3.04% resulted in a $14.3 million reduction in future debt service payments, with an economic gain of $10.9 million based on present value savings.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2015 totaled $7.3 million.

A summary of the COPs issued as of June 30, 2015 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A	2008	2028	$ 238,990	$ 179,345	3.75 – 5.00
General Fund Budget Reconciliation 2010A	2010	2030	709,090	629,945	3.00 – 5.25
General Fund Budget Reconciliation 2010B	2010	2030	289,705	256,470	3.00 – 5.00
Refund 2001 PLTO, 2002A/2004B COPs	2013	2029	62,630	46,905	2.00 – 5.00
School Facilities Board:					
Refunding Certificates of 2003A	2005	2016	201,125	47,495	5.00
Refunding Certificates of 2003B	2005	2016	80,055	16,900	5.00
Refunding Certificates of 2004B	2005	2016	53,045	220	3.63
New School Construction 2008	2009	2024	580,035	419,360	4.25 – 5.75
Refunding Certificates of 2003B	2011	2020	11,100	11,100	3.00 – 3.50
Refunding Certificates of 2004B	2011	2020	10,000	10,000	3.00 – 5.00
Refunding Certificates of 2008	2011	2020	37,685	37,685	3.00 – 5.00
Qualified School Construction 2010	2011	2028	91,325	81,820	6.00
Refunding Certificates of 2003B and 2004A	2014	2020	29,945	27,920	4.00 – 5.00
Refunding Certificates of 2004B and 2004C	2014	2020	49,605	39,515	4.00 – 5.00
Refunding Certificates of 2005A-1	2014	2018	110,695	110,695	0.32 – 1.47
Refunding Certificates of 2005A-2	2014	2019	60,390	60,390	0.95 – 2.08
Refunding Certificates of 2005A-3	2014	2020	55,040	55,040	0.95 – 2.38
Total Governmental Activities			$ 2,670,460	$ 2,030,805	

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
2002 Certificates of Participation	2002	2019	$ 103,800	$ 430	4.76
2006 Certificates of Participation	2006	2031	15,810	11,985	4.53
2006 Refunding Certificates of Participation	2007	2027	65,890	60,250	4.15
2011A Mercado Refunding Certificates of Participation	2011	2025	8,465	6,800	4.27
2013 A/B Refunding Certificates of Participation	2013	2027	64,780	63,340	3.09
2014 A/B Refunding Certificates of Participation	2015	2031	84,525	82,160	3.04
University of Arizona:					
Fixed Student Union	1999	2020	21,607	556	5.13 – 5.30
Refund COPs 1999A&B, 2001B, 2002A&B, 2003A&B, 2004A	2006	2017	46,255	6,565	4.25
Biomedical Research Collaborative Bldg. Project	2006	2031	18,240	14,055	4.00 – 5.00
Refund COPs 2001B, 2002A, 2004B	2007	2031	93,045	79,610	4.00 – 4.50
Refund COPs 2003A	2012	2022	10,190	8,295	1.96 – 3.42
Refund COPs 2002B	2012	2023	20,600	18,450	4.00 – 5.00
Refund COPs 2003B & 2004A	2012	2031	124,940	124,725	3.00 – 5.00
Refund COPs 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E	2015	2025	89,470	88,925	3.00 – 5.00
Refund COPs 2006C, 2006D, & 2007A	2015	2025	13,810	13,555	0.65 – 3.09
Northern Arizona University:					
2004 Certificates of Participation	2005	2031	37,585	1,240	4.85
2005 Certificates of Participation	2006	2024	40,255	1,350	4.65
2006 Certificates of Participation	2006	2018	12,445	865	4.35
2013 Refunding Certificates of Participation	2013	2031	36,005	36,005	4.78
2015 Refunding Certificates of Participation	2015	2031	18,825	18,825	4.92
Total Business-type Activities			$ 926,542	$ 637,986	

Principal and interest debt service requirements on COPs outstanding at June 30, 2015 are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-type Activities		
Fiscal Year	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2016	$ 188,955	$ 89,273	$ 278,228	$ 37,430	$ 27,461	$ 64,891
2017	196,540	81,620	278,160	43,050	26,080	69,130
2018	203,090	74,891	277,981	48,460	24,209	72,669
2019	174,635	67,946	242,581	51,085	22,128	73,213
2020	175,855	60,462	236,317	53,256	19,900	73,156
2021-2025	585,230	203,743	788,973	219,290	64,169	283,459
2026-2030	506,500	65,366	571,866	153,830	22,814	176,644
2031	-	-	-	31,585	786	32,371
Total	$ 2,030,805	$ 643,301	$ 2,674,106	$ 637,986	$ 207,547	$ 845,533

D. LEASES

1. Leases

The State has entered into capital lease agreements for the acquisition of buildings and equipment. Capital lease assets and liabilities are reported on the government-wide Statement of Net Position. A lease is reported as a capital lease if one or more of the following criteria are met:

- Title to or ownership of the asset is transferred to the State at the end of the lease.
- The lease contains a bargain purchase option.

- The lease term is equal to 75% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)

- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)

The future minimum lease payments for long-term capital leases as of June 30, 2015 are summarized below (expressed in thousands):

	Annual Debt Service	
Fiscal Year	Governmental Activities	Business-type Activities
2016	$ 60,101	$ 13,393
2017	58,135	14,336
2018	56,561	13,611
2019	53,818	13,440
2020	50,367	13,443
2021-2025	241,747	67,601
2026-2030	58,267	64,078
2031-2035	24,139	41,277
2036-2040	-	5,440
2041-2072	-	4,470
Total minimum lease payments	603,135	251,089
Less: amount representing interest	(148,423)	(82,129)
Less: amount representing executory costs	(45,928)	-
Present Value of Net Minimum Lease Payments	$ 408,784	$ 168,960

2. Capital Assets Financed through Capital Leases

The following table summarizes the historical costs of assets acquired under capital leases (expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$ 445	$ 8,241
Buildings	463,650	196,833
Equipment	57,634	2,192
	521,729	207,266
Less: accumulated depreciation	(90,991)	(42,467)
Carrying Value	$ 430,738	$ 164,799

E. COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2015, the State paid for compensated absences as follows: 73.46% from the General Fund, 18.31% from other funds, and 8.23% from other major funds.

F. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in Long-term Obligations (expressed in thousands):

	Balance July 1, 2014, as restated	Increases	Decreases	Balance June 30, 2015	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	$ 3,406,195	$ 754,285	$ (1,019,290)	$ 3,141,190	$ 241,315	$ 2,899,875
Grant anticipation notes	247,710	-	(53,040)	194,670	47,350	147,320
Certificates of participation	2,200,675	-	(169,870)	2,030,805	188,955	1,841,850
Capital leases	423,513	17,085	(31,814)	408,784	35,045	373,739
Installment purchase contracts	-	527	(178)	349	173	176
Notes payable	89,865	783	(68,469)	22,179	-	22,179
Premiums and discounts on debt	427,865	149,554	(85,371)	492,048	44,478	447,570
Total Long-term Debt	6,795,823	922,234	(1,428,032)	6,290,025	557,316	5,732,709
Other Long-term Liabilities:						
Compensated absences	323,884	218,028	(212,180)	329,732	178,455	151,277
Pollution remediation obligations	20,521	-	(808)	19,713	3,109	16,604
Total Other Long-term Liabilities	344,405	218,028	(212,988)	349,445	181,564	167,881
Total Long-term Obligations	$ 7,140,228	$ 1,140,262	$ (1,641,020)	$ 6,639,470	$ 738,880	$ 5,900,590
Business-type Activities:						
Long-term Debt:						
Revenue bonds	$ 2,302,035	$ 705,760	$ (332,365)	$ 2,675,430	$ 79,155	$ 2,596,275
Certificates of participation	676,345	206,731	(245,090)	637,986	37,430	600,556
Capital leases	132,957	41,650	(5,647)	168,960	5,858	163,102
Installment purchase contracts	4,098	-	(1,293)	2,805	691	2,114
Premiums and discounts on debt	130,315	118,959	(18,096)	231,178	17,543	213,635
Total Long-term Debt	3,245,750	1,073,100	(602,491)	3,716,359	140,677	3,575,682
Other Long-term Liabilities:						
Compensated absences	83,477	101,566	(86,899)	98,144	22,004	76,140
U of A capital commitments	-	25,924	-	25,924	3,500	22,424
Total Other Long-term Liabilities	83,477	127,490	(86,899)	124,068	25,504	98,564
Total Long-term Obligations	$ 3,329,227	$ 1,200,590	$ (689,390)	$ 3,840,427	$ 166,181	$ 3,674,246

The above long-term obligations relating to governmental activities include internal service funds. Amounts for capital leases and compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position because $5.943 million of capital leases and $160.710 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net position.

For beginning balance restatement detail, see Note 9.B.

NOTE 8. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2015 are as follows (expressed in thousands):

	Due To							
Due From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ 21,740	$ 544	$ 59,920	$ 200,062	$ 36	$ 1,949	$ 284,251
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	4,252	-	-	3,451	-	149	-	7,852
Land Endowments Fund	-	-	-	6,256	-	-	-	6,256
Non-Major Governmental Funds	20,259	9	-	1,845	-	-	263	22,376
Non-Major Enterprise Funds	902	181	-	4,677	22,273	-	-	28,033
Internal Service Funds	7,800	-	-	-	-	-	-	7,800
Total Due From	$ 33,213	$ 21,930	$ 544	$ 76,149	$ 222,335	$ 185	$ 2,212	$ 356,568

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) cash transferred between funds for various interfund activities subsequent to the balance sheet date. The cash is recorded in the fund which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

Interfund Transfers

Transfers for the year ended June 30, 2015 are as follows (expressed in thousands):

	Transferred To					
Transferred From	General Fund	Land Endowments Funds	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Total Transfers Out
General Fund	$ -	$ 277	$ 199,758	$ 752,637	$ 108	$ 952,780
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	-	-	305,410	-	-	305,410
Land Endowments Fund	93	-	24,900	-	-	24,993
Non-Major Governmental Funds	105,426	14	3,678	-	-	109,118
Non-Major Enterprise Funds	96,351	-	54,855	22,273	222,848	396,327
Internal Service Funds	65,684	-	-	-	-	65,684
Total Transfers In	$ 267,554	$ 291	$ 588,601	$ 774,910	$ 222,956	$ 1,854,312

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) legislative appropriations from the General Fund, (2) other legislative transfers, (3) statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

NOTE 9. ACCOUNTING CHANGES

A. FUND FINANCIAL STATEMENTS

Net Position has been restated as follows (expressed in thousands):

	Proprietary Funds			Fiduciary Funds
	Universities	Non-Major Enterprise Funds	Internal Service Funds	Pension and Other Employee Benefit Trust Funds
Net Position, as previously reported	$ 3,156,634	$ 207,793	$ (189,888)	$ 43,697,530
Prior period adjustment				
Implementation of GASB 68:				
Net pension liability (measurement date as of June 30, 2013)	(1,317,760)	(43,969)	(45,301)	(6,734)
Deferred outflows – contributions made during fiscal year 2014	80,105	2,805	2,805	380
Fund reclassification	-	63,110	-	-
Non-major fund change		43,721		
Net Position, as restated	$ 1,918,979	$ 273,460	$ (232,384)	$ 43,691,176

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide Net Position has been restated as follows (expressed in thousands):

	Governmental Activities	Business-type Activities
Net Position, as previously reported	$ 22,194,124	$ 3,469,149
Prior period adjustment		
Implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(3,394,933)	(1,361,729)
Deferred outflows – contributions made during fiscal year 2014	216,846	82,910
Correction of error	25,696	-
Fund reclassification	-	63,110
Net Position, as restated	$ 19,041,733	$ 2,253,440

Prior Period Adjustment and Fund Reclassification

Beginning net position has been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Capital lease liabilities related to private prisons were overstated in fiscal year 2014 by $25.7 million.

The Insurance Department Guaranty Funds, previously reported as agency funds, have been reclassified to enterprise funds upon further review of administrative responsibilities and policy for recovery of costs. Beginning net position in other enterprise funds and business-type activities was restated by $63.1 million to show the change for this reclassification.

The Industrial Commission Special Fund reported as a major enterprise fund in fiscal year 2014 did not meet the GASB major fund criteria in fiscal year 2015 and, as a result, is reported as a non-major enterprise fund. The effect on beginning net position was $43.7 million.

NOTE 10. GOVERNMENTAL FUND BALANCES

Details of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet for the year ended June 30, 2015 are as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	$ 9,168	$ 6,341	$ -	$ -	$ 15,509
Permanent fund principal	-	-	5,175,215	-	5,175,215
Restricted for:					
General government	10,509	-	-	29,721	40,230
Health and welfare	192,023	-	-	20,845	212,868
Inspection and regulation	3,735	-	-	-	3,735
Education	3,408	-	-	443,958	447,366
Protection and safety	23,674	-	-	-	23,674
Natural resources	3,805	-	-	7,404	11,209
Debt service	-	-	-	57,409	57,409
Capital projects	-	809,095	-	205,021	1,014,116
School facilities improvements	4,765	-	-	-	4,765
Committed to:					
General government	-	-	-	132,945	132,945
Health and welfare	32,848	-	-	179,415	212,263
Inspection and regulation	-	-	-	129,096	129,096
Education	24,022	-	-	-	24,022
Protection and safety	-	-	-	98,586	98,586
Transportation	-	213,276	-	-	213,276
Natural resources	13,883	-	-	72,422	86,305
School facilities improvements	28,392	-	-	-	28,392
Unassigned:	(306,751)	-	(29,961)	-	(336,712)
Total Fund Balances	$ 43,481	$ 1,028,712	$ 5,145,254	$ 1,376,822	$ 7,594,269

NOTE 11. DEFICIT NET POSITION

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of $398.2 million primarily due to the RMF receiving annual funding only for expected paid insurance losses (including loss adjustment expenditures) within the State's self-insured retention for the specific fiscal year. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

The Retire Accumulated Sick Leave Fund (RASL), an internal service fund, pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The $154.3 million deficit net position is primarily due to the above funding mechanism.

A deficit net position is reported in certain funds as a result of implementing the new GASB Statement No. 68 requirement for recognition of net pension liability. These funds were: the Telecommunication Fund, an internal service fund, which reported a deficit of $440 thousand; the Lottery Fund, an enterprise fund, which reported a deficit of $1.3 million; and the Other Non-Major Enterprise Fund, which reported a deficit of $1.6 million.

NOTE 12. JOINT VENTURES

A. LARGE BINOCULAR TELESCOPE CORPORATION

The U of A is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the U of A and the Arcetri Astrophysical Observatory in Florence, Italy. The purpose of the joint venture is to design, develop, construct, own, operate, and maintain a binocular telescope located in Arizona. The current members of the LBT are the U of A, INAF Astrophysical Observatory, Research Corporation, Ohio State University, and LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25% of the LBT's construction costs and annual operating costs. As of June 30, 2015, the U of A has made cash contributions of $18.2 million toward the project's construction costs, which were recorded as non-current investments on the Statement of Net Position. The U of A's financial interest represents its future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes; thus, depreciation of the property and equipment has commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, $896 thousand in calendar year 2015, as a reduction in its investment. At June 30, 2015, the investment totaled $11.9 million. According to the most recent draft financial statements of the LBT for the year ended December 31, 2014, assets, liabilities, revenues, and expenses totaled $125.0 million, $3.0 million, $16.0 million, and $16.0 million, respectively.

Information regarding the LBT's financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, 1303 E. University Blvd., Box 4, Tucson, AZ 85719-0521.

B. GIANT MAGELLAN TELESCOPE ORGANIZATION

The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction, and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including the U of A. The U of A comprises two of the fifteen members of the GMTO Board of Directors, and is one of eleven founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the U of A does not have a defined equity interest, as a founder the U of A will receive viewing rights to the telescope in proportion to their voluntary contributions to the project. The U of A has recognized an intangible asset related to the costs incurred during the design, development, and construction/commissioning phases. The U of A has also signed an agreement outlining future capital commitments to the GMTO between June 2016 and June 2022. Capital commitments in the amount of $25.9 million related to the GMTO as of June 30, 2015 are reported in Note 7.F.

In the current fiscal year, the U of A contributed $20.0 million to the GMTO and has contributed a total of $34.1 million as of June 30, 2015. The U of A has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2015, the U of A has received contractual payments related to the project from the GMTO and related partners totaling $57.1 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 13. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. INSURANCE LOSSES

The Department of Administration – Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Division. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Special Fund provides payment of workers' compensation benefits in the following areas: claims against uninsured employers; continuing benefits in claims against insolvent workers compensation insurance carriers and bankrupt self-insured

employers; payment for vocational rehabilitation; continuing medical benefits for pre-1973 workers compensation claims; and, partial coverage of benefits for second injury claims (apportionment claims).

During fiscal year 2014, the Legislature passed Senate Bill 1181 (S. B. 1181), which transfers all insolvent workers' compensation insurance carrier administration from the Special Fund to the Insurance Department Guaranty Fund **(**Guaranty Fund) effective July 1, 2015. The cash and investments and liabilities related to the insolvent workers' compensation insurance carrier activity were transferred to the Guaranty Fund in fiscal year 2015. A transfer in the amount of $222.8 million and a Special Item in the amount of $241.5 million are recorded on the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position for this transaction. The liability for bankrupt self-insured employers will remain a liability of the Special Fund.

The Guaranty Fund provides payment for settlement of covered claims and return of unearned premiums under certain property and casualty insurance contracts of insolvent insurance companies in accordance with A.R.S. Title 20, Chapter 3, Article 6, and contractual obligations under certain life, annuity and disability insurance contracts of insolvent insurance companies in accordance with A.R.S. Title 20, Chapter 3, Article 7. The Guaranty Fund records claims liability when the reported loss is probable and reasonably estimated based on reserves established by adjusters handling the claim files. To provide funding for the payments of claims, the Guaranty Fund may direct the payment of assessments by member insurers under A.R.S. § 20-666 and A.R.S. § 20-686. Assessments under A.R.S. § 20-666 may not exceed 1% of net direct written premiums by member insurers. Under A.R.S. § 20-686, there are two classes of assessments: Class A assessments that are paid by each member insurer to cover administrative costs and other general expenses; and Class B assessments levied by account and paid by member insurers licensed to write insurance covered by the account, that pay the costs related to an impaired insurer or insolvent insurer pursuant to A.R.S. § 20-685. The total assessments under A.R.S. § 20-686 on a member insurer for each account may not exceed 2% of that member insurer's average annual premium received in the State during the three calendar years preceding the year in which an insurer becomes impaired or insolvent.

The Risk Management Fund and the Special Fund record claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the Risk Management Fund's and the Special Fund's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, loss development factors, and an estimate for incurred but not reported claims. There were no non-incremental claims adjustment expenses included in the liability for claims and adjustments.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund and the Special Fund. As discussed in the above paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Division will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Assessments on gross premium revenues and settlement income primarily fund the Special Fund. To provide funding for the payment of these workers' compensation benefits, the Special Fund may direct the payment of assessments into the State Treasury under A.R.S. § 23-1065(A) (general liability assessment – not to exceed 1.5%), A.R.S. § 23-1065(F) (apportionment assessment - not to exceed .5%), and A.R.S. § 23-966(D) (insolvency assessment - not to exceed .5%), in a total amount not to exceed 2.5% of all premiums received by private insurance carriers and what would have been paid by self-insured employers if they had been fully insured by an insurance carrier authorized to transact workers compensation insurance during the immediately preceding calendar year. The Special Fund levied the following assessment taxes for calendar year 2015: 0.58% assessment under A.R.S. § 23-1065(A) and .17% assessment under A.R.S. § 23-1065(F).

Additionally, as a result of the passage of S. B. 1181, the assessment authority for the Special Fund liability was reduced by 1%. Effective July 1, 2015, the Special Fund assessment that can be levied may not exceed 1.5%, which is allocated as follows: 1% under A.R.S. § 23-1065(A) (reduced from 1.5%) and .5% percent under A.R.S. § 23-1065(F). The A.R.S. § 23-966(D) assessment was eliminated.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2015. The total estimated loss reserve of $219.0 million decreased by 54.8%, or $265.1 million, over the prior year estimated loss reserve of $484.1 million. The primary reason for this significant decrease is directly related to the transfer of insolvent carrier liabilities to the Guaranty Fund. Other than the aforementioned insolvent carrier reserve, there were no major shifts in any award categories. A confidence level of 80% was used in calculating medical and compensation related liabilities. A confidence level of 80% indicates a confidence that the estimated liability will be adequate to cover actual costs 80 out of 100

years. The reserves were discounted at an assumed rate of .6% for the compensation benefits and zero percent for the medical benefits. For medical benefits, it was assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund has filed proofs of claim with ancillary receivers and liquidators regarding the recovery of statutory deposits and other monies for insolvencies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits as revenue at the time received rather than recording a receivable.

Occasionally, the Risk Management Division agrees with claimants to purchase an annuity contract to settle specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State obtains a release agreement from the claimant and transfers its obligation to make future periodic payments to an assignment company. The State requires a secondary guarantor which is obtained when the assignment company transfers the obligation to make the payments through the use of a qualified assignment (typically a life insurance company with an approved rating). As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three fiscal years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2014 and June 30, 2015 (expressed in thousands):

Fiscal Year	Beginning Balance	Special Item	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:					
2014	$ 395,615	$ -	$ 92,284	$ (58,570)	$ 429,329
2015	429,329	-	79,340	(51,280)	457,389
Industrial Commission Special Fund:					
2014	477,847	-	31,177	(24,880)	484,144
2015	484,144	(241,491)	577	(24,199)	219,031
Insurance Department Guaranty Funds:					
2015	-	241,491	23,007	(12,926)	251,572

B. LITIGATION

In *Cave Creek Unified School District vs. State of Arizona*, plaintiffs claimed that A.R.S. § 15-901.01, which the voters had enacted by referendum and required the Legislature to appropriate funds to adjust school equalization assistance funding for inflation by increasing both the base level and the transportation components of the revenue control limit each fiscal year by a statutorily defined growth rate, had been violated with the Legislature's fiscal year 2010-2011 K-12 education budget reconciliation bill because only the transportation component of the revenue control limit was increased. The plaintiffs further asserted that because the voters enacted A.R.S. § 15-901.01 by referendum, the bill also violated the Arizona Constitution's Voter Protection Act (VPA) provisions, which prohibit the Legislature from eliminating voter-enacted measures and from altering them except as the VPA allows. The Trial Court denied the plaintiff's application for declaratory judgment and injunctive relief and granted the State's motion to dismiss the amended complaint for failure to state a claim for which relief could be granted. The Court of Appeals reversed the Trial Court's decision. The State petitioned the Supreme Court for review, which it granted. The Supreme Court considered whether the voters could constitutionally impose a mandate on the Legislature to increase appropriations. The Supreme Court has found that the voters could impose restrictions on the Legislature's discretion through voter-protected statutes and that the Legislature must fund, on a go-forward basis, all components of the base level A.R.S. § 15-901.01. The Supreme Court remanded the case to Superior Court for further proceedings. The Superior Court then bi-furcated the post-judgment proceedings and has determined that the base level should be recalculated as though the Legislature had never stopped funding the inflation adjustments. This decision is on appeal by the State. The second part of the case seeking retroactive payment for the inflationary increases not made since fiscal year 2009-2010 is pending in the Superior Court. A new judge was appointed in the Superior Court to hear the claims and defenses relating to the potential recovery of past due monies.

However, the parties subsequently renewed negotiations in an effort to settle both cases. A settlement was announced by Governor Ducey on October 30, 2015, after he signed several bills intended to settle these two lawsuits. The settlement, which requires voter approval, involves a plan to provide $3.5 billion to public schools over the next decade by: 1) raising the base level amount of per student funding; 2) requiring that base level amount to be adjusted annually for inflation, with built-in 'out-clauses' to temporarily pause those inflation payments during economic downturns; and 3) adding an extra $625.0 million from the State's General Fund. Voters approved Proposition 123, Arizona Education Finance Amendment, in the May 17, 2016 special election. As a result, the parties have agreed to the dismissal of both lawsuits.

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers' compensation, medical malpractice, construction and design, highway operations, employment practices, criminal justice, fidelity and surety, environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the internal service funds and the Industrial Commission Special Fund.

C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25% for 500 hours to a maximum of 50% for 1,500 hours. The maximum benefit value is $30 thousand. The benefit shall be paid either in a lump sum or in installments over a three-year period. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of $158.5 million at June 30, 2015.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately $1.2 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at $49.4 million and mutual funds valued at $11.0 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2015, $24.5 million was deposited in the Department of Revenue Administrative Fund, $2.5 million was deposited in the Housing Trust Fund, $2.0 million was deposited in the Seriously Mentally Ill Housing Trust Fund, $54.0 million was deposited in the General Fund, and $1.1 million was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2015, $397.7 million of this liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona.

E. CONSTRUCTION COMMITMENTS

The ADOT had outstanding commitments under construction contracts of $145.7 million at June 30, 2015.

	(in thousands) Expenditures to Date	Remaining Commitments
Construction contracts:		
Rural roadways	$ 9,489	$ 2,408
Small urban roadways	20,152	-
Urban roadways	322,102	18,573
Large urban roadways	458,584	107,940
Sub-total	810,327	128,921
Design contracts	118,042	2,036
Other commitments	142,039	14,751
Total	$ 1,070,408	$ 145,708

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400 thousand for which winners will receive the jackpot in annual installments for The Pick on-line game. The annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, S & P, Moody's, Duff & Phelps, or Weiss. Purchases of annuities transfer liabilities for prizes to the insurance company. However, the Lottery may incur liabilities for prizes in the event of a default of an insurance company. Aggregate future payments to prize winners on existing annuities totaled $46.2 million at June 30, 2015. Approximately $43.8 million of the total aggregate future payments at June 30, 2015 relate to annuities purchased from five separate insurance companies, of which approximately $19.9 million relates to a single insurance company.

NOTE 14. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State recorded tobacco settlement revenue of $100.0 million in the fund statements and the government-wide statements in fiscal year 2015. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2015.

NOTE 15. SUBSEQUENT EVENTS

In July 2015, the State issued $164.0 million in Refunding Certificates of Participation, Series 2015 (Series 2015 Certificates), to: (1) refund, prior to maturity, all outstanding Government Office Lease Revenue Refunding Bonds (Capitol Mall L.L.C. Project), Series 2005, dated October 12, 2005, issued by The Industrial Development Authority of the City of Phoenix, Arizona in the initial principal amount of $87.6 million and currently outstanding in the amount of $64.5 million, (2) refund prior to maturity certain outstanding Certificates of Participation, Series 2008A, dated April 30, 2008, originally executed and delivered in the initial principal amount of $239.0 million and currently outstanding in the amount of $179.3 million, and (3) pay costs of issuance. The Series 2015 Certificates include serial certificates with interest rates ranging from 1.00% to 5.00% and maturity

dates ranging from 2016 to 2028. The Series 2015 Certificates are subject to optional and extraordinary redemption prior to their stated maturity dates pursuant to the debt documents.

In July 2015, the SFB issued $263.5 million in Refunding Certificates of Participation, Series 2015A (Series 2015A Certificates), to: (1) refund, in advance of maturity, portions of the outstanding Series 2008 COPs and (2) pay costs of issuance. The Series 2015A Certificates include serial and term certificates with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2016 to 2024. The Series 2015A Certificates are not subject to optional redemption prior to maturity; however, they are subject to defeasance pursuant to the debt documents.

In December 2015, the ASU issued $102.7 million in System Revenue Bonds, Series 2015D (Series 2015D Bonds), for the following projects: (1) renovations to research laboratories, classrooms, buildings, and infrastructure on all of the University's campuses, (2) renovations to the Sun Devil Stadium, and (3) pay costs of issuance. The Series 2015D Bonds include both serial and term bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2018 to 2047. The Series 2015D Bonds are subject to optional and mandatory redemption prior to their stated maturity dates pursuant to the debt documents.

In March 2016, the U of A issued $175.4 million in System Revenue Refunding Bonds, Series 2016 (Series 2016 Bonds), to: (1) refund, prior to maturity, portions of the outstanding 2007 Bonds, 2008A Bonds, and 2009A Bonds and (2) pay costs of issuance. The Series 2016 Bonds include serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2019 to 2039. The Series 2016 Bonds maturing on or after June 1, 2027 are subject to optional redemption, without premium, pursuant to the debt documents.

NOTE 16. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The accounting policies of the State's component units conform to U.S. GAAP applicable to governmental units adopted by the GASB, except for those component units affiliated with the State's Universities. Because the component units affiliated with the Universities are not governmental entities, they follow FASB standards for not-for-profit organizations for financial reporting purposes. Each component unit has a June 30 year-end.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting.

2. Net Assets

Component units affiliated with the Universities classify net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the component units affiliated with the Universities and changes therein are classified and reported as follows:

- *Unrestricted net assets* include assets and contributions that are not restricted by donors or for which such restrictions have expired.

- *Temporarily restricted net assets* include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundations), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted even if the restrictions are satisfied in the same reporting period in which the contributions are received.

- *Permanently restricted net assets* include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity.

3. Cash and Cash Equivalents

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. Cash equivalents are stated at cost, which approximates fair value.

4. Investments

The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investment income or loss comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, less an investment management fee.

In addition, investments include Universities' endowment funds totaling $334.5 million managed by the Foundations. These funds are primarily held in pooled endowment funds managed for the Universities under service contracts with the Foundations and invested in the Foundations' endowment pools.

5. Income Taxes

The Universities-affiliated component units qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, except for the ACFFC and, accordingly, there is no provision for income taxes in the accompanying financial statements. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any unrelated business income would be taxable. The ACFFC is exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

6. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

7. Net Assets Released from Restriction

The Universities-affiliated component units' expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the net assets are reclassified to unrestricted net assets. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

8. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the component units that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets.

9. Endowments

The management of the ASU Foundation and the U of A Foundation endowments is governed by laws in the State of Arizona created under the Arizona Management of Charitable Funds Act.

The ASU Foundation has interpreted State statute as requiring the preservation of the fair value of the original gifts at the gift date of the donor restricted endowment funds. As a result of this interpretation, the ASU Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The ASU Foundation's investment policies are

reviewed periodically. The long-term financial objectives are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve intergenerational equity by achieving growth of the investments at a rate that at least keeps pace with the general rate of inflation, net of spending.

The U of A Foundation endowment payout rate is a percentage (4% of the average fair value at the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the U of A Foundation's Board. The U of A Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds: the net rate of return earned by each endowment account in each of the five most recent fiscal years; the net real rate of return (as measured by the Higher Education Price Index) earned by the endowment in each of the five most recent fiscal years (i.e., the duration and preservation of the endowment fund); payout rates established by other university endowments as published in the Commonfund and National Association of College and University Business Officers survey; any unusual or extraordinary circumstances impacting the U of A flow of funds from other sources (i.e., tuition revenues, State appropriations, etc.); the extent to which programs benefiting from the payout rate rely on these funds to achieve their goals and objectives; general economic conditions; the possible effect of inflation or deflation; and the expected total return from income and appreciation of investments per the most recent asset allocation study.

The U of A Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the payout and the endowment fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The U of A Foundation expects its endowment funds to provide an annual average rate of return of 8.7% with a standard deviation of 8.6%.

10. Use of Estimates

The preparation of the Universities-affiliated component units' financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

1. Component Units

a. Deposits and Investment Policies

The investments of the WIFA are stated at fair value, except guaranteed investment contracts, which are stated at cost since they are non-participating contracts.

b. Custodial Credit Risk - Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. The WIFA does not have a formal policy regarding custodial credit risk for deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The WIFA does not have a formal policy regarding custodial credit risk for investments.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2015 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Guaranteed investment contracts	$ 61,692	$ 2,109	$ 38,477	$ -	$ 21,106
Money market mutual funds	18,937	18,937	-	-	-
U.S. agency securities	22,877	22,877	-	-	-
U.S. Treasury securities	10,078	9,876	202	-	-
Total	$ 113,584	$ 53,799	$ 38,679	$ -	$ 21,106

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The WIFA does not have a formal policy regarding credit risk but their investments are in accordance with the master bond indenture. The following table presents the WIFA's investments which were rated by S & P and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2015 (expressed in thousands):

Investment Type	**Fair Value**	**AAA**	**AA**	**A**
Guaranteed investment contracts	$ 61,692	$ -	$ -	$ 61,692
Money market mutual funds	18,937	18,937	-	-
U.S. agency securities	22,877	-	22,877	-
Total	$ 103,506	$ 18,937	$ 22,877	$ 61,692

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. At June 30, 2015, investments in any one issuer, that were more than 5% of the WIFA's total investments, are as follows: (i) Bayerische Landesbank (fair value of $40.6 million, or 15.6%) and (ii) Federal Home Loan (fair value of $22.9 million, or 8.8%).

2. Universities-Affiliated Component Units

Investments of the Universities-affiliated component units include the following amounts at June 30, 2015. Investments are stated at fair value (expressed in thousands):

	ASU Foundation	U of A Foundation
Money market funds and cash equivalents	$ 30,305	$ -
Domestic/international equity securities and mutual funds	549,354	229,360
U.S. fixed income obligations and mutual funds	115,370	118,853
Absolute return limited partnerships and funds	-	236,620
Other investments	91,612	163,584
Total Investments	$ 786,641	$ 748,417

C. PROGRAM LOANS

The WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2015 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	$ 747,609	$ 22,610	$ (47,390)	$ 722,829
Drinking Water Fund	346,697	26,530	(21,548)	351,679
Total	$ 1,094,306	$ 49,140	$ (68,938)	$ 1,074,508

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes, or from special assessments. Most loans have a .30% to 3.00% annual administrative fee. When loans have been repaid, the principal and interest for the pledged loans are placed in restricted accounts used to make bond payments. For loans that are not pledged, the money is placed in a fund from which additional loans are made.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2015, the debt service reserve was $69 thousand and $2.1 million for the Clean Water and Drinking Water Funds, respectively, and no allowance for loan loss was recorded.

D. PLEDGES RECEIVABLE

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and loss allowance. The ASU Foundation's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 1.20% to 10.90%. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges.

Pledges receivable, as of June 30, 2015, include the following (expressed in thousands):

	ASU Foundation
Gross pledges receivable	$ 163,949
Present value discount	(11,548)
Allowance for uncollectible pledges	(39,409)
Net Pledges Receivable	$ 112,992

E. DIRECT FINANCING LEASE AGREEMENTS

1. ASU Foundation

The ASU Foundation leases a portion of the Fulton Center building (the ASU Foundation's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASU Foundation and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASU Foundation's net investment in this direct financing lease at June 30, 2015 is $23.7 million.

2. ACFFC

Pursuant to a Sublease Agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and 2009B Bonds. The Sublease has successive annual renewals without action from either party through the period ending March 31, 2034. The Sublease is subject to early termination by Nanotechnology or the ASU upon the payment in full of the Series 2009A and 2009B Bonds. Upon

termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. The ACFFC's net investment in the Nanotechnology facility direct financing lease is $30.1 million at June 30, 2015.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 Bonds. Any right, title, or interest of Hassayampa in and to the academic portions of the Hassayampa project will pass to the ASU without further cost upon payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. The ACFFC's net investment in the McAllister (HAV) direct financing lease is $12.0 million at June 30, 2015.

F. CAPITAL ASSETS

Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2015 include the following (expressed in thousands):

	ACFFC	U of A Campus Research Corporation	Downtown Phoenix Student Housing
Buildings and improvements	$ 174,045	$ 24,041	$ 114,129
Furniture, fixtures, and equipment	79,027	6,778	10,501
Total cost or donated value	253,072	30,819	124,630
Less: Accumulated Depreciation	(97,065)	(10,431)	(30,760)
Total Property and Equipment, Net	$ 156,007	$ 20,388	$ 93,870

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Water Infrastructure Finance Authority

The WIFA’s bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA’s assets. The obligations are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the WIFA.

In prior fiscal years, the WIFA refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. The amount outstanding on the refunded bonds for the WIFA at June 30, 2015 totaled $115.4 million.

On December 4, 2014, the WIFA issued $342.6 million of Water Quality Revenue Refunding Bond series 2014A for the purpose of advance refunding or defeasing a portion of the 2006 Water Quality Revenue Bonds, 2008 Water Quality Revenue Bonds, 2009 Water Quality Revenue Bonds, 2010 Water Quality Revenue Bonds and the 2012 Water Quality Refunding Bonds. The advanced refunding was done in order to reduce debt payments and take advantage of the low interest rates. The refunding decreased the WIFA's total debt payments by approximately $38.8 million. The transaction resulted in an economic gain of approximately $22.3 million. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bonds issues had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. Two different bank escrow accounts were established, a 2014 account and a 2014/2012 escrow account. The amount outstanding of the defeased bonds as of June 30, 2015 was $390.3 million. In addition to the refunding, the 2004 Series bonds were prepaid.

The security for the bonds includes a pledge of monies and investments in the accounts held by the Trustee and the Financial Assistance accounts held for the WIFA by the State Treasurer and all pledged loans.

At the end of fiscal year 2015, the amount of money and investments held by the Trustee and the monies held by the State Treasurer was $260.8 million. The principal and interest repayments received on pledged loans in fiscal year 2015 were $91.5 million. The principal and interest paid on the outstanding bonds in fiscal year 2015 was $480.5 million.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2015 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2015
Component Units:				
Water Infrastructure Finance Authority	2006-2015	2016-2031	0.20-5.00%	$ 712,305

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2015 are as follows (expressed in thousands):

	Annual Debt Service		
	Water Infrastructure Finance Authority		
Fiscal Year	Principal	Interest	Total
2016	$ 47,540	$ 31,408	$ 78,948
2017	46,110	29,671	75,781
2018	46,625	27,898	74,523
2019	47,545	25,980	73,525
2020	49,725	23,774	73,499
2021-2025	262,315	80,714	343,029
2026-2030	189,680	22,796	212,476
2031	22,765	398	23,163
Total	$ 712,305	$ 242,639	$ 954,944

b. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the component units (expressed in thousands):

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year	Due Thereafter
Water Infrastructure Finance Authority:						
Long-term Debt:						
Revenue bonds	$ 818,750	$ 342,565	$ (449,010)	$ 712,305	$ 47,540	$ 664,765
Revenue bond premium	73,997	60,721	(35,404)	99,314	-	99,314
Total Long-term Debt	892,747	403,286	(484,414)	811,619	47,540	764,079
Other Long-term Liabilities:						
Compensated absences	104	93	(87)	110	110	-
Total Other Long-term Liabilities	104	93	(87)	110	110	-
Total Long-term Obligations	$ 892,851	$ 403,379	$ (484,501)	$ 811,729	$ 47,650	$ 764,079

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2015 include the following (expressed in thousands):

	Final	Amount
ASU Foundation:		
Series 2014A Tax-Exempt Lease Revenue Bonds	2035	$ 31,390
Series 2014B Taxable Lease Revenue Bonds	2019	3,610
Series 2014A Revenue Refunding Bonds	2034	39,050
Series 2014B Revenue Refunding Bonds	2016	2,465
Series 2004A Variable Rate Revenue Bonds	2034	22,420
Series 2004B Variable Rate Revenue Bonds	2022	6,755
ACFFC:		
Series 2011 Tax-Exempt Revenue Refunding Bonds	2018	11,065
Series 2009 Revenue Bonds	2024	32,035
Series 2009A Lease Revenue Refunding Bonds	2034	22,955
Series 2009B Lease Revenue Refunding Bonds	2022	7,415
Series 2008 Revenue Bonds	2028	13,375
Series 2008 Revenue Refunding Bonds	2039	140,930
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	35,560
Deferred Cost of Refunding		(225)
Unamortized Bond Premium		178
Downtown Phoenix Student Housing:		
Series 2007A&C Revenue Bonds	2042	117,530
Series 2007D Tax-Exempt Revenue Bonds	2042	22,700
Unamortized Bond Discount		(1,013)

Scheduled future maturities of Universities-affiliated component units' bonds payable are as follows (expressed in thousands):

Fiscal Year	ASU Foundation	ACFFC	Downtown Phoenix Student Housing
2016	$ 2,195	$ 9,640	$ 810
2017	3,590	10,300	1,025
2018	3,730	10,985	1,245
2019	3,900	11,715	1,480
2020	4,085	9,345	1,735
Thereafter	88,190	211,303	132,922
Total	$ 105,690	$ 263,288	$ 139,217

H. CONDUIT DEBT

The purpose of the GADA is to provide cost-effective capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA's bond structure allows it to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Principal and interest are payable semi-annually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the GADA from the GADA Fund, which is held by the State Treasurer. Some borrowers also have separate, additional reserve funds, which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the GADA bonds.

In previous years, the State appropriated a total of $20.0 million to the GADA for the express purpose of securing bonds issued by the GADA. Although issued in the name of the GADA, loans funded through the GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to A.R.S. § 41-2259, the GADA's bonds

do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the *restricted* net position of $12.0 million in the Pledged Collateral Reserve Fund. At June 30, 2015, the total outstanding face value of all bonds issued by the GADA was $389.2 million.

I. ACCOUNTING RESTATEMENT

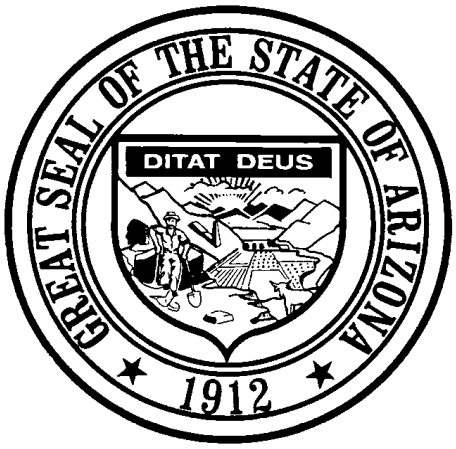
Net Position has been restated as follows (expressed in thousands):

	Component Units
Net Position, as previously reported	$ 1,053,534
Prior period adjustment	
Implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(3,253)
Deferred outflows – contributions made during fiscal year 2014	179
Change in reporting entity	(337,714)
Net Position, as restated	$ 712,746

Prior Period Adjustment and Change in Reporting Entity

Beginning net position has been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

The University of Arizona Health Network (UAHN), previously reported as a discretely presented component unit, no longer meets the GASB requirements for inclusion in the State's financial reporting entity after its merger agreement with Banner Health that closed on February 28, 2015. The component units' beginning net position has been restated by $337.7 million as a result of removing the UAHN.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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
500 BED MAXIMUM SECURITY FY12-13	$ 4,038,351	$ 4,038,351	$ 3,800,827
500 BED MAXIMUM SECURITY FY13-14	13,392,699	13,392,699	12,104,776
ADMINISTRATIVE ADJUSTMENTS	-	3,202,322	3,202,322
ADULT INFORMATION MANAGEMENT SYSTEM FY13-14	8,000,000	8,000,000	8,000,000
ADULT INFORMATION MANAGEMENT SYSTEM FY14-15	8,000,000	8,000,000	-
AFIS REPLACEMENT ERP FY13-14	12,638,813	12,638,813	8,440,961
AFIS REPLACEMENT ERP FY14-15	-	26,533,000	8,342,599
ANNUAL REV PERSONNEL DIV FUND ARS41-764C	-	1,389,234	1,389,234
AUTOMATION AND INFORMATION TECH PROJECTS FY13-14	5,976,357	5,976,357	4,238,435
AUTOMATION AND INFORMATION TECH PROJECTS FY14-15	9,000,000	9,001,700	4,016,393
BUILDING RENEWAL COST FY14-15	9,000,000	9,000,000	2,184,165
BUILDING RENEWAL FY11-12	13,430	5,780	5,780
BUILDING RENEWAL FY12-13	3,599,673	3,599,673	3,461,513
BUILDING RENEWAL FY13-14	7,933,828	7,933,828	5,026,830
BUILDING RENEWAL GF FY14-15	9,000,000	9,000,000	1,192,975
CAPITOL MALL FIRE SYSTEM REPLACE FY08-09	6,764	6,764	-
CAPITOL MALL SECURITY SYSTEM	1,768,661	1,768,661	1,058,708
CHILD SAFETY	25,000,000	19,500,000	11,096,100
CHILDRENS INFORMATION LIBRARY	5,000,000	5,000,000	-
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	60,108,600	60,108,600	60,108,600
COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A	24,015,100	24,015,100	24,015,100
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY12-13	60,981	60,981	-
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY13-14	239,481	239,481	(32,293)
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY14-15	1,213,200	1,213,200	231,423
COUNTY SERVICES DISTRIBUTION	7,150,500	7,150,500	7,150,500
DATA SECURITY AND ENCRYPTION DOR	4,646,511	4,646,511	4,626,974
E LICENSING DEQ FY13-14	516,476	516,476	513,169
E LICENSING DEQ FY14-15	6,800,000	6,800,000	4,933,368
ESSENTIAL COUNTY SERVICES	500,000	500,000	500,000
GR TRANSFER TO AUTOMATION PROJECTS FUND	-	18,400,000	18,400,000
HB1464 PERSONNEL REFORM FY98-99	45	45	-
HB2703 TRANSFER TO AUTO PROJECTS FUND	17,100,000	17,100,000	17,100,000
IMPLEMENT UPGRADE TAXPAYER ACCOUNTING SYSTEM FY13-14	628,671	628,671	397,302
IMPLEMENT UPGRADE TAXPAYER ACCOUNTING SYSTEM FY14-15	1,700,000	1,700,000	566,666
OPERATING LUMP SUM APPROPRIATION	40,839,500	40,893,900	38,271,826
OPERATING LUMP SUM APPROPRIATION - ST BD	231,000	231,100	154,606
RELIEF BILL CASH TRANSFER FY15	-	257	257
RELOCATION FY99-00	4,520	4,520	-
RELOCATION FY00-01	55,301	55,301	-
RELOCATION FY01-02	59,026	59,026	-
RELOCATION FY02-03	58,149	58,149	-
SOUTHWEST DEFENSE CONTRACTS	25,000	25,000	25,000
STATE SURPLUS PROPERTY SALES PROCEEDS	1,260,000	1,820,000	1,761,127
STATEWIDE INFO SECURITY AND PRIVACY OFC	871,700	871,700	735,588
STUDENT LONGITUDINAL DATA SYSTEM	12,000,000	12,000,000	11,661,924
TOBACCO TAX PROCESSING AND REV ACCT SYS	1,000,000	1,000,000	1,000,000
UTILITIES	8,275,600	8,275,600	7,026,464
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	-
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	874,500	862,500	862,500
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	20,126	20,126
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
AGRICULTURE CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	127,994
ANIMAL DAMAGE CONTROL	65,000	65,000	50,057

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	-	198,434	198,434
OPERATING LUMP SUM APPROPRIATION	7,881,800	7,884,600	7,809,049
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ACA ADULT EXPANSION	227,369,700	212,369,700	205,850,770
ADMINISTRATIVE ADJUSTMENTS	-	331,879,092	331,879,092
ALTCS SERVICES	1,290,650,800	1,294,650,800	1,236,413,496
CHILDREN'S REHABILITATIVE SERVICES	197,070,000	222,042,400	219,112,534
DES ELIGIBILITY	54,867,700	90,474,500	90,474,500
DISPROPORTIONATE SHARE PAYMENTS	13,487,100	13,487,100	4,202,300
DSH - VOLUNTARY	19,373,400	30,392,100	30,391,970
GRADUATE MEDICAL EDUCATION	165,918,500	165,918,500	156,310,521
KIDSCARE SERVICES	6,223,000	7,512,500	7,073,759
OPERATING LUMP SUM APPROPRIATION	77,785,300	89,820,400	82,042,107
PROP 204 AHCCCS ADMINISTRATION	6,863,100	8,481,800	7,794,825
PROP 204 DES ELIGIBILITY	38,354,100	38,358,700	28,155,667
PROPOSITION 204 SERVICES	1,725,888,200	2,070,593,400	2,035,152,062
RURAL HOSPITAL REIMBURSEMENT	22,650,000	22,650,000	22,115,340
SAFETY NET CARE POOL	68,500,000	177,755,700	175,134,446
TRADITIONAL MEDICAID SERVICES	3,862,007,600	3,607,269,900	3,421,700,112
ARIZONA STATE UNIVERSITY			
BIOMEDICAL INFORMATICS	1,955,200	1,955,200	1,955,200
DOWNTOWN PHOENIX CAMPUS	15,719,600	22,445,000	22,445,000
OPERATING LUMP SUM APPROPRIATION-EAST	12,539,200	18,289,400	18,289,400
OPERATING LUMP SUM APPROPRIATION-MAIN	145,793,600	213,828,600	213,828,600
OPERATING LUMP SUM APPROPRIATION-WEST	23,263,300	33,328,100	33,328,100
PARITY FUNDING POLY	6,647,000	6,647,000	6,647,000
PARITY FUNDING TEMPE	38,843,100	38,843,100	38,843,100
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT FY13-14	1,385	1,385	-
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT FY14-15	-	13,032,400	13,030,279
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT-POLY	-	917,000	917,000
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMINISTRATIVE ADJUSTMENTS	-	176,441	176,441
CAPITAL POSTCONVICTION PROSECUTION	800,000	800,100	726,188
CHILD SAFETY AND FAMILY SERVICES	1,000,000	1,000,000	1,000,000
LEGAL ARIZONA WORKERS ACT FY07-08	100,000	100,000	-
MILITARY INSTALLATION/PLANNING FY11-12	206	206	-
MILITARY INSTALLATION/PLANNING FY12-13	316	316	-
MILITARY INSTALLATION/PLANNING FY14-15	90,000	90,000	86,169
OPERATING LUMP SUM APPROPRIATION	39,106,400	39,111,900	38,000,728
STATE GRAND JURY	181,100	181,100	178,236
AUDITOR GENERAL			
INDEPENDENT CONSULTANT - CHILD WELFARES	-	250,000	157,306
OPERATING LUMP SUM APPROPRIATION FY10-11	425,540	425,540	425,540
OPERATING LUMP SUM APPROPRIATION FY11-12	1,679,539	1,679,539	366,291
OPERATING LUMP SUM APPROPRIATION FY12-13	1,870,400	1,870,400	363,222
OPERATING LUMP SUM APPROPRIATION FY13-14	2,724,767	2,724,767	1,440,776
OPERATING LUMP SUM APPROPRIATION FY14-15	17,989,700	17,996,400	16,086,156
CHARTER SCHOOLS, STATE BOARD FOR			
ADMINISTRATIVE ADJUSTMENTS	-	1,277	1,277
OPERATING LUMP SUM APPROPRIATION	994,400	994,700	896,844
CHILD SAFETY, DEPARTMENT OF			
DCS ADOPTION SERVICES	188,483,300	190,483,300	69,460,019
DCS ATTORNEY GENERAL LEGAL SERVICES	18,563,300	20,563,300	14,359,441
DCS CHILD CARE SUBSIDY	39,753,600	46,753,600	27,760,847
DCS CPS EMERGENCY	84,366,300	90,166,300	50,554,481

The Notes to Required Supplementary Information are an integral part of this schedule.

(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCS FOSTER CARE PLACEMENT	55,932,000	56,432,000	31,049,022
DCS GENERAL COUNSEL	157,300	87,300	87,300
DCS GRANDPARENT STIPENDS	1,000,000	1,000,000	761,932
DCS INDEPENDENT LIVING MAINTENANCE	3,469,300	4,119,300	2,719,300
DCS IN-HOME PREVENTIVE SUPPORT SERVICES	31,146,100	13,234,900	1,180,467
DCS INSPECTIONS BUREAU	2,748,400	1,204,600	600,000
DCS INTENSIVE FAMILY SERVICES	8,500,000	8,500,000	8,500,000
DCS INTERNET CRIMES AGAINST CHILDREN	350,000	350,000	165,381
DCS OFFICE OF CHILD WELFARE INVESTIGATE	10,500,400	5,500,400	4,349,900
DCS OPERATING LUMP SUM	216,536,000	200,849,800	141,991,800
DCS OUT-OF-HOME SUPPORT SERVICES	139,266,800	161,178,000	105,830,351
DCS OVERTIME	12,865,000	13,515,000	10,256,226
DCS PERMANENT GUARDIAN SUBSIDY	11,215,300	11,815,300	10,766,276
DCS RECORDS RETENTION STAFF	597,400	597,400	500,000
DCS RETENTION PAY	1,707,000	807,000	807,000
DCS TRAINING RESOURCES	5,150,000	5,150,000	150,000
COMMISSION OF AFRICAN-AMERICAN AFFAIRS			
OPERATING LUMP SUM	125,000	125,000	40,419
CORPORATION COMMISSION			
ADMINISTRATIVE ADJUSTMENTS	-	4,886	4,886
OPERATING LUMP SUM APPROPRIATION	659,800	660,630	655,556
RAILROAD WARNING SYSTEMS FY00-01	47,510	47,510	-
CORRECTIONS, STATE DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,548,625	1,548,625
ASPC YUMA CHEYENNE REPAIRS	7,208,525	7,208,525	6,890,033
BUILDING RENEWAL FUND EXPENDITURES 12-13	673,984	673,984	560,826
BUILDING RENEWAL FUND EXPENDITURES 13-14	4,111,327	4,111,327	2,519,680
CAPITAL OUTLAY APPROPRIATION	8,464,300	8,464,300	2,558,452
INMATE HEALTH CARE CONTRACTED SERVICES	115,274,900	120,174,900	114,323,523
OPERATING LUMP SUM APPROPRIATION	764,628,400	761,261,900	752,820,624
PRIVATE PRISON PER DIEM	118,825,100	117,225,100	110,793,967
COURT OF APPEALS DIVISION I			
ADMINISTRATIVE ADJUSTMENTS	-	21,097	21,097
OPERATING LUMP SUM APPROPRIATION - DIVISION I	10,065,400	10,039,900	9,987,002
COURT OF APPEALS DIVISION II			
OPERATING LUMP SUM APPROPRIATION - DIVISION II	4,350,900	4,340,300	4,338,157
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMINISTRATION STATEWIDE	4,207,600	4,209,400	4,099,596
ADMINISTRATIVE ADJUSTMENTS	-	1,625,292	1,625,292
PHOENIX DAY SCHOOL FOR THE DEAF	4,149,200	3,714,142	3,111,661
PRESCHOOL AND OUTREACH PROGRAMS	1,519,800	1,956,628	1,848,805
REGIONAL COOPERATIVES	832,400	832,800	633,612
REPLACE NETWORK CORE INFRASTRUCTURE	695,800	695,800	609,935
SCHOOL BUS REPLACEMENT	738,000	738,000	61,972
TUCSON CAMPUS	10,348,300	10,351,130	9,234,681
ECONOMIC SECURITY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	145,741,643	145,741,643
ADULT SERVICES	7,924,100	7,924,100	7,198,929
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	226,079,300	241,869,400	188,209,787
ATTORNEY GENERAL LEGAL SERVICES	11,731,100	10,687,600	8,893,402
AUTISM PARENTING SKILLS-RURAL AREAS	300,000	-	-
AZ TRAINING PROGRAM COOLIDGE-TITLE XIX	20,968,400	22,167,000	17,594,797
CASE MANAGEMENT-STATE ONLY	3,926,600	3,978,600	3,928,600
CASE MANAGEMENT-TITLE XIX	62,927,500	66,146,600	56,181,626
CHILD CARE SUBSIDY	98,396,600	98,421,600	75,595,596
COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	3,427,191

The Notes to Required Supplementary Information are an integral part of this schedule.

(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COORDINATED HOMELESS PROGRAM	2,522,600	2,522,600	2,494,120
COORDINATED HUNGER	1,754,600	1,754,600	1,298,794
COUNTY PARTICIPATION	6,740,200	7,588,200	5,155,903
DCS SPECIAL SUPPLEMENTAL APPROPRIATION	-	55,000,000	35,000,000
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	9,177,074
HOME AND COMMUNITY BASED SERVICES-STATE ONLY	21,296,700	19,846,700	18,319,464
HOME AND COMMUNITY BASED SERVICES-TITLE XIX	1,046,694,800	1,062,951,700	970,120,230
HOMELESS CAPITAL GRANT	500,000	500,000	375,000
INDEPENDENT LIVING REHABILITATION SERVICES	166,000	166,000	166,000
INSTITUTIONAL SERVICES-TITLE XIX	25,004,100	28,425,400	24,813,686
JOBS	9,894,700	9,894,700	8,804,719
LONG-TERM CARE ASSISTED LIVING	300,000	19,930	19,930
MEDICAL CLAWBACK	2,902,400	2,902,400	2,902,400
MEDICAL SERVICES-TITLE XIX	182,740,900	187,219,800	181,890,236
REHABILITATION SERVICES	3,594,400	2,594,400	2,594,400
STATE FUNDED LONG-TERM CARE SERVICES	26,527,900	28,154,800	25,931,355
TANF CASH BENEFITS	44,999,400	38,599,400	34,724,214
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
WORKFORCE INVESTMENT ACT SERVICES	53,654,600	53,654,600	39,654,426
EDUCATION, BOARD OF			
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	670,408	670,408	204,483
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	11,223,600	11,223,600	11,223,600
ADDITIONAL STATE AID SUPPLEMENTAL	-	7,407,200	7,407,200
ADDITIONAL STATE AID TO SCHOOLS	352,502,000	352,502,000	352,502,000
ADMINISTRATIVE ADJUSTMENTS	-	3,118,918	3,118,918
ADULT EDUCATION	4,500,000	4,500,000	4,500,000
ARIZONA STRUCTURED ENGLISH IMMERSION	4,960,400	4,960,400	4,960,400
BASIC STATE AID DEFERRED PAYMENT	-	930,727,700	930,727,700
BASIC STATE AID ENTITLEMENT	2,350,607,100	2,350,607,100	2,344,394,795
BASIC STATE AID SUPPLEMENTAL	-	19,453,900	19,453,900
CASH TRANSFER TO AUTOMATION PROJECTS FUND	1,576,422	1,576,422	1,576,422
DISTRICT-CHARTER SCHOOL CONVERSIONS	24,500,000	24,500,000	24,500,000
EMPOWERMENT SCHOLARSHIP ACCOUNT	100,987	100,987	67,049
ENGLISH LANGUAGE ACQUISITION FY06-07	2,827	2,827	2,827
ENGLISH LEARNER ADMINISTRATION	6,516,200	6,516,700	6,448,336
ENGLISH LEARNER TEACHER FY04-05	477,154	477,154	-
INFORMATION TECHNOLOGY CERTIFICATIONS	1,000,000	1,000,000	999,953
JTED PERFORMACE PAY	500,000	500,000	500,000
K-3 READING	40,007,600	40,007,800	40,007,800
OPERATING LUMP SUM APPROPRIATION-ADMINISTRATION	8,461,000	8,464,900	8,464,900
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	1,234,700	564,392	564,391
OTHER STATE AID TO DISTRICTS	983,900	983,900	206,002
SCHOOL SAFETY PROGRAM FY13-14	674,122	674,122	674,122
SCHOOL SAFETY PROGRAM FY14-15	3,646,400	3,646,400	3,451,731
SPECIAL EDUCATION FUND	33,242,100	33,242,100	33,242,100
STATE BLOCK GRANT FOR VOCATIONAL EDUCATION	11,575,400	11,575,400	11,575,400
STUDENT SUCCESS FUND DEPOSIT	22,400,000	22,400,000	22,400,000
STUDENT SUCCESS FUNDING	21,500,000	21,500,000	18,746,645
TECH-BASED LANGUAGE DEVELOPMENT	-	300,000	-
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADMINISTRATION	1,805,700	1,806,900	1,784,534
ADMINISTRATIVE ADJUSTMENTS	-	165	165
DISASTER DECLARATION	-	4,000,000	2,217,914
EMERGENCY MANAGEMENT	729,200	729,200	721,052
FEBRUARY 2005 WINTER STORMS FY07-08	30,095	30,095	13,283

The Notes to Required Supplementary Information are an integral part of this schedule.

(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
FEBRUARY 2005 WINTER STORMS FY10-11	32,972	32,972	-
HAZARD MATERIALS CONTINGENCY FY07-08	1,897	1,897	-
JANUARY 2010 WINTER STORM FY11-12	-	-	(40,484)
MILITARY AFFAIRS	1,327,900	1,327,900	1,299,044
MILITARY AFFAIRS COMMISSION FY10-11	39,649	39,649	-
MILITARY AFFAIRS COMMISSION FY11-12	23,218	23,218	-
MILITARY AFFAIRS COMMISSION FY12-13	38,605	38,605	-
MILITARY AFFAIRS COMMISSION FY14-15	-	90,000	56,317
MILITARY INSTALLATION FUND DEPOSIT	2,500,000	2,500,000	-
NORTHERN ARIZONA WINTER STORM FY10-11	252,877	252,877	252,877
NUCLEAR EMERGENCY MANAGEMENT FUND-BUCKEYE GF TRF	-	69,909	69,909
NUCLEAR EMERGENCY MANAGEMENT FUND-GF TSF	-	549,229	549,229
NUCLEAR EMERGENCY MANAGEMENT FUND-MARICOPA-GF TRF	-	756,264	756,264
SCHULTZ FIRE POST-FIRE FLOOD FY10-11	69,174	69,174	5,200
SERVICE CONTRACTS FY12-13	234,354	234,354	(337,233)
SERVICE CONTRACTS FY13-14	636,505	636,505	581,734
SERVICE CONTRACTS FY14-15	1,215,000	1,215,000	154,538
SUMMER 2006 MONSOONS AND FLOODING FY11-12	159,764	159,764	845
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	67,383	67,383
OPERATING LUMP SUM APPROPRIATION	13,308,500	13,410,100	5,410,393
EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	188,500	188,600	188,348
EQUALIZATION, STATE BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,525	1,525
OPERATING LUMP SUM APPROPRIATION	639,500	641,800	501,219
EXECUTIVE CLEMENCY, BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	3,435	3,435
OPERATING LUMP SUM APPROPRIATION	958,400	958,600	906,108
FINANCIAL INSTITUTIONS, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	3,981	3,981
OPERATING LUMP SUM APPROPRIATION	3,019,100	3,020,200	3,004,628
FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	20,158	20,158
FIRE SCHOOL	175,000	175,000	-
OPERATING LUMP SUM APPROPRIATION	2,026,000	2,030,300	1,917,066
FORESTER, OFFICE OF THE STATE			
ADMINISTRATIVE ADJUSTMENTS	-	156,831	156,831
ENVIRONMENTAL COUNTY GRANTS	275,000	275,000	275,000
FIRE SUPPRESSION SLI	1,000,000	1,000,000	1,000,000
GENERAL FUND TRANSFER TO FIRE SUPPRESSION	-	3,000,000	3,000,000
HAZARDOUS VEGETATION REMOVAL	1,350,000	1,350,000	996,667
INMATE FIRE CREWS	695,700	695,700	657,347
OPERATING LUMP SUM APPROPRIATION	2,779,200	2,783,100	2,677,776
GENERAL ACCOUNTING OFFICE			
EQUALIZATION AID - COCHISE	3,870,500	3,870,500	3,870,500
EQUALIZATION AID - GRAHAM	15,025,500	15,025,500	15,025,500
EQUALIZATION AID - NAVAJO	5,283,300	5,283,300	5,283,300
LEASE PURCHASE ADJUSTMENTS	192,500	-	-
NAMED CLAIMANTS BILL	-	184,595	184,595
OPERATING STATE AID - COCHISE	5,343,400	5,343,400	5,343,400
OPERATING STATE AID - COCONINO	1,775,800	1,775,800	1,775,800
OPERATING STATE AID - GILA	346,300	346,300	346,300
OPERATING STATE AID - GRAHAM	2,261,300	2,261,300	2,261,300
OPERATING STATE AID - MARICOPA	7,409,500	7,409,500	7,409,500
OPERATING STATE AID - MOHAVE	1,543,300	1,543,300	1,543,300

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(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING STATE AID - NAVAJO	1,618,200	1,618,200	1,618,200
OPERATING STATE AID - PIMA	6,493,500	6,493,500	6,493,500
OPERATING STATE AID - PINAL	2,023,900	2,023,900	2,023,900
OPERATING STATE AID - SANTA CRUZ	47,900	47,900	47,900
OPERATING STATE AID - YAVAPAI	887,000	887,000	887,000
OPERATING STATE AID - YUMA LA PAZ	2,726,600	2,726,600	2,726,600
RETIREMENT CONTRIBUTION ADJUSTMENTS	409,100	-	-
RURAL COUNTY REIMBURSEMENT SUBSIDY	1,273,800	1,273,800	1,273,800
STEM AND WORKFORCE PROGRAM STATE AID - COCHISE	1,236,700	1,236,700	1,236,700
STEM AND WORKFORCE PROGRAM STATE AID - COCONINO	426,900	426,900	426,900
STEM AND WORKFORCE PROGRAM STATE AID - GILA	142,800	142,800	142,800
STEM AND WORKFORCE PROGRAM STATE AID - GRAHAM	640,500	640,500	640,500
STEM AND WORKFORCE PROGRAM STATE AID - MARICOPA	1,400,000	1,400,000	1,400,000
STEM AND WORKFORCE PROGRAM STATE AID - MOHAVE	593,700	593,700	593,700
STEM AND WORKFORCE PROGRAM STATE AID - NAVAJO	375,400	375,400	375,400
STEM AND WORKFORCE PROGRAM STATE AID - PIMA	600,000	600,000	600,000
STEM AND WORKFORCE PROGRAM STATE AID - PINAL	1,009,300	1,009,300	1,009,300
STEM AND WORKFORCE PROGRAM STATE AID - SANTA CRUZ	45,400	45,400	45,400
STEM AND WORKFORCE PROGRAM STATE AID - YAVAPAI	802,900	802,900	802,900
STEM AND WORKFORCE PROGRAM STATE AID - YUMA/LAPAZ	882,500	882,500	882,500
WOOLSEY FLOOD DISTRICT	-	34,502	34,502
GEOLOGICAL SURVEY, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	941,400	941,700	941,700
GOVERNOR, OFFICE OF THE			
OPERATING LUMP SUM APPROPRIATION FY12-13	2,066,115	2,066,115	2,066,115
OPERATING LUMP SUM APPROPRIATION FY13-14	2,252,981	2,252,981	2,252,981
OPERATING LUMP SUM APPROPRIATION FY14-15	6,926,000	6,920,100	4,954,874
OPERATING LUMP SUM APPROPRIATION-OSPB FY10-11	969,774	969,774	969,774
OPERATING LUMP SUM APPROPRIATION-OSPB FY11-12	124,535	124,535	124,535
OPERATING LUMP SUM APPROPRIATION-OSPB FY12-13	15,993	15,993	15,993
OPERATING LUMP SUM APPROPRIATION-OSPB FY13-14	73,224	73,224	73,224
OPERATING LUMP SUM APPROPRIATION-OSPB FY14-15	1,993,200	1,994,000	1,234,184
HEALTH SERVICES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	3,669,686	3,669,686
ADULT CYSTIC FIBROSIS	105,200	105,200	105,200
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	47,318,700	46,817,428	34,412,331
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	993,616
ALZHEIMER DISEASE RESEARCH	1,375,000	1,375,000	1,375,000
ARIZONA STATE HOSPITAL - OPERATING	57,699,500	57,716,232	55,933,156
ASH - CORRECTIVE ACTION PLAN SUPPLEMENTAL FY04-05	398,060	398,060	-
ASH - RESTORATION TO COMPETENCY	900,000	900,000	900,000
ASH - SEXUALLY VIOLENT PERSONS	9,728,700	9,731,711	9,361,701
BREAST AND CERVICAL CANCER SCREENING	1,369,400	1,369,429	914,059
COUNTY TUBERCULOSIS PROVIDER CARE AND CONTROL	590,700	590,700	485,903
CRISIS SERVICES	14,141,100	14,141,100	14,058,550
HIGH RISK PERINATAL SERVICES	2,093,400	2,093,400	1,543,313
MEDICAID BEHAVIORAL HEALTH - ADULT EXPANSION	73,805,900	38,805,900	-
MEDICAID BEHAVIORAL HEALTH - COMPREHENSIVE AND DENTAL	182,521,300	182,521,300	58,128,500
MEDICAID BEHAVIORAL HEALTH - PROP 204	533,313,600	545,649,257	117,955,257
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	784,402,600	813,194,043	230,409,443
MEDICAID INSURANCE PREMIUM PAYMENTS	23,795,400	23,795,400	7,578,200
MEDICARE CLAWBACK PAYMENTS	14,100,700	14,100,700	14,100,700
MENTAL HEALTH FIRST AID	250,000	250,000	184,069
MIDDLE AND HIGH SCHOOL PREVENTION ED PRG	300,000	300,000	17,757
NON MEDICAID SERIOUSLY MENTAL ILL SVS	78,846,900	78,846,900	74,241,295
NON RENAL DISEASE MANAGEMENT	198,000	198,000	89,174

The Notes to Required Supplementary Information are an integral part of this schedule.

(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ONE TIME ELECTRONIC MED RECORDS START UP	3,850,000	3,850,000	2,688,008
POISON CONTROL CENTER FUNDING	990,000	990,000	656,828
PROP 204 ADMINISTRATION TITLE XIX MATCH	6,446,700	6,446,700	2,053,100
REG HA DISPENSERS-AUDIOL PATHOL FY03-04	62,243	62,243	-
SUPPORTED HOUSING	5,324,800	5,324,800	5,194,485
TANF PERINATAL SERVICES FY99-00	47,270	47,270	-
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMINISTRATIVE ADJUSTMENTS	-	74,176	74,176
OPERATING LUMP SUM APPROPRIATION	826,000	826,300	735,681
HISTORICAL SOCIETY, ARIZONA			
ARIZONA EXPERIENCE MUSEUM	428,300	428,330	428,330
FIELD SERVICES AND GRANTS	66,000	66,014	66,014
OPERATING LUMP SUM APPROPRIATION	2,116,500	2,117,272	2,117,272
PAPAGO PARK MUSEUM	544,200	544,384	544,384
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION FY09-10	2,654,065	2,654,065	2,654,065
OPERATING LUMP SUM APPROPRIATION FY10-11	1,353,951	1,353,951	1,353,951
OPERATING LUMP SUM APPROPRIATION FY11-12	1,087,704	1,087,704	1,087,704
OPERATING LUMP SUM APPROPRIATION FY12-13	1,285,746	1,285,746	1,285,746
OPERATING LUMP SUM APPROPRIATION FY13-14	1,045,676	1,045,676	1,045,676
OPERATING LUMP SUM APPROPRIATION FY14-15	13,372,200	13,372,200	5,915,567
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING EXPENDITURES	1,183,528	1,183,528	22,373
OPERATING LUMP SUM APPROPRIATION FY14-15	1,115,100	1,115,300	913,832
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMINISTRATIVE ADJUSTMENTS	-	222	222
OPERATING LUMP SUM APPROPRIATION	56,900	56,900	54,343
INSURANCE, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	5,364,900	5,366,700	5,305,298
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION FY12-13	1,107,309	1,107,309	1,107,309
OPERATING LUMP SUM APPROPRIATION FY13-14	2,491,095	2,491,095	1,201,050
OPERATING LUMP SUM APPROPRIATION FY14-15	2,492,000	2,493,000	84
JUVENILE CORRECTIONS, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	46,118,900	46,479,600	42,616,177
LAND DEPARTMENT, STATE			
CAP USER FEES	673,600	737,800	705,672
DUE DILIGENCE FUND	500,000	500,000	-
NATURAL RESOURCE CONSERVATION DISTRICTS	390,000	390,000	390,000
OPERATING LUMP SUM APPROPRIATION	11,442,100	11,446,200	11,410,749
LEGISLATIVE COUNCIL			
OMBUDSMAN-CITIZENS AID OFFICE FY10-11	52	52	10
OMBUDSMAN-CITIZENS AID OFFICE FY11-12	59	59	1
OMBUDSMAN-CITIZENS AID OFFICE FY12-13	26,904	26,904	26,897
OMBUDSMAN-CITIZENS AID OFFICE FY13-14	106,993	106,993	67,638
OMBUDSMAN-CITIZENS AID OFFICE FY14-15	-	828,956	718,389
OPERATING LUMP SUM APPROPRIATION FY11-12	7	7	-
OPERATING LUMP SUM APPROPRIATION FY12-13	430,943	430,943	430,942
OPERATING LUMP SUM APPROPRIATION FY13-14	3,592,139	3,592,139	2,854,316
OPERATING LUMP SUM APPROPRIATION FY14-15	7,418,000	7,419,944	3,752,970
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
IMPROVEMENT OF DATA PROCESSING SYSTEM FY06-07	79,726	79,726	37,960
LICENSING SYSTEM - REPLACEMENT	626,700	626,700	174,920
OPERATING LUMP SUM APPROPRIATION	2,939,100	2,962,500	2,950,844
MEDICAL STUDENT LOANS, BOARD OF			
MEDICAL STUDENT FINANCIAL ASSISTANCE FY06-07	346,555	346,555	-

The Notes to Required Supplementary Information are an integral part of this schedule.

(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
MEDICAL STUDENT FINANCIAL ASSISTANCE FY08-09	309,800	309,800	-
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	194,700	194,700	173,320
ADMINISTRATIVE ADJUSTMENTS	-	1,240	1,240
OPERATING LUMP SUM APPROPRIATION	1,028,600	1,020,900	977,560
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMINISTRATIVE ADJUSTMENTS	-	230	230
LEGAL EXPENSES SUPPLEMENTAL	67,666	67,666	59,675
OPERATING LUMP SUM APPROPRIATION	129,200	129,200	129,037
NORTHERN ARIZONA UNIVERSITY			
MEDICAL RESEARCH FND BIO TECHNOLOGY	3,000,000	3,000,000	3,000,000
NAU - YUMA	2,446,500	2,446,500	2,446,500
OPERATING LUMP SUM APPROPRIATION	62,007,900	92,502,700	92,502,700
PARITY FUNDING	12,549,900	12,549,900	12,549,900
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	-	5,491,500	5,491,500
TEACHER TRAINING	2,290,600	2,290,600	2,290,600
NURSING, STATE BOARD OF			
GF SUPPLEMENTAL APPROPRIATION FOR CNA PROGRAM	150,000	150,000	150,000
OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD			
OPERATING LUMP SUM APPROPRIATION	11,697	11,697	880
PARKS BOARD, ARIZONA STATE			
ADMINISTRATIVE ADJUSTMENTS	-	278,660	278,660
GF C/O YARNELL HILL MEMORIAL SITE ACQUIS	500,000	500,000	71,622
KARTCHNER CAVERNS STATE PARK	2,228,700	2,232,000	2,180,054
OPERATING LUMP SUM APPROPRIATION	10,592,400	10,643,100	9,991,356
SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	809,856	809,856	416,043
SPRF FY15 PARKS CAPITAL IMPROVEMENT	1,500,000	1,500,000	427,275
PERSONNEL BOARD			
ADMINISTRATIVE ADJUSTMENTS	-	4,419	4,419
OPERATING LUMP SUM APPROPRIATION	374,900	375,000	311,637
PIONEERS' HOME, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	1,602,800	1,603,400	1,599,173
POSTSECONDARY EDUCATION, COMMISSION FOR			
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,220,800	1,220,800	1,220,800
MATH AND SCIENCE TEACHER INITIATIVE	176,000	176,000	176,000
PUBLIC SAFETY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	20,800	20,800
GIITEM	21,304,700	21,305,900	21,048,986
GIITEM IMPACT APPROPRIATION FY12-13	3,373	3,373	-
GIITEM IMPACT APPROPRIATION FY13-14	437,888	437,888	436,087
GIITEM IMPACT APPROPRIATION FY14-15	2,603,400	2,603,400	2,231,670
GIITEM SUBACCOUNT	2,390,000	2,390,000	2,113,626
GITTEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY09-10	15	15	-
MICROWAVE COMMUNICATION SYSTEM FY06-07	97,396	97,396	87,048
MOTOR VEHICLE FUEL	3,704,200	3,704,200	3,018,633
OPERATING LUMP SUM APPROPRIATION	65,842,400	65,844,700	65,836,015
RACING, ARIZONA DEPARTMENT OF			
ARIZONA BREEDERS AWARD	250,000	250,000	234,921
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	1,779,500	1,779,500	1,779,500
RADIATION REGULATORY AGENCY			
ADMINISTRATIVE ADJUSTMENTS	-	746	746
NUCLEAR EMERGENCY MANAGEMENT FUND	-	695,250	695,250
OPERATING LUMP SUM APPROPRIATION	1,352,900	1,353,400	1,342,699
REAL ESTATE DEPARTMENT, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	22,393	22,393
OPERATING LUMP SUM APPROPRIATION	2,988,700	2,989,700	2,507,164

The Notes to Required Supplementary Information are an integral part of this schedule.

(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
REGENTS, ARIZONA BOARD OF			
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
ARIZONA TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
BUILDING RENEWAL FY14-15	3,000,000	3,000,000	3,000,000
OPERATING LUMP SUM APPROPRIATION	2,349,600	2,352,500	2,352,500
PERFORMANCE FUNDING	5,000,000	5,000,000	5,000,000
STUDENT FINANCIAL ASSISTANCE	10,041,200	10,041,200	10,041,200
WESTERN INTERSTATE COMMISSION OFFICE	131,000	137,000	137,000
WICHE STUDENT SUBSIDIES	4,100,000	4,094,000	4,094,000
REVENUE, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	161,281	161,281
BRITS OPERATIONAL SUPPORT	7,602,500	7,602,500	7,519,516
OPERATING LUMP SUM APPROPRIATION	64,130,200	64,148,500	62,293,636
UNCLAIMED PROPERTY ADMINISTRATION/AUDIT	1,218,500	1,222,500	1,070,455
SCHOOL FACILITIES BOARD			
ADMINISTRATIVE ADJUSTMENTS	-	34,209	34,209
BUILDING RENEWAL GRANT	16,667,900	27,787,594	27,787,594
NEW SCHOOL CONSTRUCTION	858,200	858,200	643,650
NEW SCHOOL FACILITIES DEBT SERVICE	170,155,200	149,619,606	149,619,606
OPERATING LUMP SUM APPROPRIATION	1,676,500	1,677,100	1,595,650
SECRETARY OF STATE			
ADMINISTRATIVE ADJUSTMENTS	-	4,634	4,634
BUILDING RENOVATION AND CODE COMPLIANCE	121,818	121,818	19,021
ELECTION SERVICES	4,431,600	4,431,900	3,537,589
HELP AMERICA VOTE ACT FY12-13	877,877	877,877	545,700
HELP AMERICA VOTE ACT FY13-14	243,123	243,123	241,542
HELP AMERICA VOTE ACT FY14-15	2,941,000	2,941,100	1,715,593
LIBRARY GRANTS-IN-AID FY11-12	3,438	3,438	-
LIBRARY GRANTS-IN-AID FY12-13	35,500	35,500	23,000
LIBRARY GRANTS-IN-AID FY13-14	119,709	119,709	-
LIBRARY GRANTS-IN-AID FY14-15	651,400	651,400	530,000
OPERATING LUMP SUM APPROPRIATION	10,596,500	10,588,800	10,411,294
STATEWIDE RADIO READING SERVICE FOR BLIND	97,000	97,000	97,000
SENATE			
BORDER SECURITY TRUST FUND	263,667	263,667	-
OPERATING LUMP SUM APPROPRIATION FY11-12	784,184	784,184	784,184
OPERATING LUMP SUM APPROPRIATION FY12-13	130,564	130,564	130,564
OPERATING LUMP SUM APPROPRIATION FY13-14	79,583	79,583	79,583
OPERATING LUMP SUM APPROPRIATION FY14-15	8,283,800	8,283,800	7,691,928
SUPREME COURT			
ADMINISTRATIVE ADJUSTMENTS	-	209,520	209,520
ADULT INTENSIVE PROBATION	10,754,500	10,754,600	10,700,436
ADULT STANDARD PROBATION	13,543,200	13,543,300	13,512,426
AUTOMATION	3,352,800	3,352,900	2,519,927
CASE AND CASH MANAGEMENT SYSTEM	139,400	139,400	-
COMMISSION ON JUDICIAL CONDUCT	522,300	522,500	520,291
COUNTY REIMBURSEMENTS	187,900	187,900	187,900
COURT APPOINTED SPECIAL ADVOCATE	102,000	102,000	102,000
DOMESTIC RELATIONS	655,400	655,600	649,563
DRUG COURT	1,013,600	1,013,600	1,006,775
DRUG COURT FY06-07	61,322	61,322	-
DRUG TREATMENT ALTERNATIVE TO PRISON	250,000	250,000	250,000
FAMILY DRUG COURT ORDERED COUNSELING	250,000	250,000	250,000
FOSTER CARE REVIEW BOARD	3,617,100	3,617,900	3,611,503
INTERSTATE COMPACT	648,000	648,100	648,050
JUDGES COMPENSATION	7,682,500	8,273,000	8,272,292

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
JUDICIAL NOMINATION AND PERFORMANCE REVIEW	428,400	428,500	426,755
JUVENILE DIVERSION CONSEQUENCES	9,024,900	9,024,900	9,024,900
JUVENILE FAMILY COUNSELING	660,400	660,400	658,309
JUVENILE INTENSIVE PROBATION	9,175,600	8,516,700	8,467,251
JUVENILE STANDARD PROBATION	4,606,200	4,606,300	4,601,724
JUVENILE TREATMENT SERVICES	22,341,400	22,341,600	22,230,848
MODEL COURT	447,600	447,600	446,755
OPERATING LUMP SUM APPROPRIATION	10,761,500	10,753,300	10,398,419
SPECIAL WATER MASTER	220,000	220,000	131,294
TAX APPEALS, STATE BOARD OF			
OPERATING LUMP SUM APPROPRIATION	264,700	265,600	263,921
TOURISM, OFFICE OF			
ARIZONA PROMOTION	2,000,000	2,000,000	2,000,000
TOURISM FUND DEPOSIT	7,102,600	7,103,700	7,103,700
TRANSPORTATION, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	50,400	50,400	949
TREASURER, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	158,292	158,292
COMMUNITY COLLEGE REIMBURSEMENT ARS 15-1469.01	-	3,195,464	3,195,464
CORPORATE INCOME TAX TRANSFER	-	7,000,000	7,000,000
JUSTICE OF THE PEACE SALARIES	1,205,100	1,205,100	778,432
OPERATING LUMP SUM APPROPRIATION	2,820,900	2,821,900	2,775,052
UNIVERSITY OF ARIZONA			
AGRICULTURE	27,621,700	28,628,200	28,628,200
ARIZONA COOPERATIVE EXTENSION	14,325,900	14,660,200	14,660,200
CLINICAL RURAL ROTATION	353,400	353,400	353,400
CLINICAL TEACHING SUPPORT	8,587,000	8,587,005	8,587,005
FREEDOM CENTER	500,000	500,000	500,000
LIVER RESEARCH INSTITUTE	430,100	430,100	430,100
OPERATING LUMP SUM APPROPRIATION-HSC	20,578,400	34,900,195	34,900,195
OPERATING LUMP SUM APPROPRIATION-MAIN	93,034,800	153,189,300	153,189,300
PHOENIX MEDICAL CAMPUS	21,025,800	23,460,200	23,460,200
RESEARCH INFRASTRUCTURE FACILITIES	-	9,593,200	9,593,200
SIERRA VISTA CAMPUS	2,112,500	2,770,300	2,770,300
TELEMEDICINE NETWORK	1,833,900	1,854,400	1,854,400
VETERANS' SERVICES, DEPARTMENT OF			
ASVH - YUMA CONSTRUCTION	9,200,000	9,200,000	-
MILITARY FAMILY RELIEF FUND	15,291	15,291	-
OPERATING LUMP SUM	2,312,600	2,314,600	2,235,708
SOUTHERN ARIZONA CEMETERY	275,600	275,600	274,791
TUCSON VETERAN HOME CONSTRUCTION FY09-10	27,858	27,858	-
VETERANS BENEFIT COUNSELING	2,848,100	2,848,100	2,707,689
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,256,700	1,256,700	1,223,459
ADMINISTRATIVE ADJUSTMENTS	-	543	543
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	1,723,100	1,723,100	1,721,841
AUTOMATED GROUNDWATER MONITORING	410,200	410,200	385,522
CONSERVATION AND DROUGHT PROGRAM	410,000	410,000	409,598
LOWER COLORADO RIVER LITIGATION EXPENSES FY13-14	169,100	169,100	-
LOWER COLORADO RIVER LITIGATION EXPENSES FY14-15	500,000	500,000	149,437
OPERATING LUMP SUM APPROPRIATION	7,858,700	7,862,600	6,815,217
RURAL WATER STUDIES	1,167,700	1,167,700	1,103,703

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
WEIGHTS AND MEASURES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,348	1,348
GENERAL SERVICES	1,475,300	1,475,700	1,362,053
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	18,016,014,338	20,119,113,274	17,781,391,701
Less:			
Department of Health Services' Medicaid Behavioral Health appropriations for Insurance Premium Payments, Comprehensive and Dental, Prop 204 Administration Title XIX Match, Prop 204, Traditional, Adult Expansion, and other appropriations that were duplicate expenditure authorizations	(1,206,187,100)	(1,206,172,700)	-
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	$ 16,809,827,238	$ 18,912,940,574	$ 17,781,391,701

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	$ -	$ 439,211	$ 439,211
AIRPORT PLANNING AND DEVELOPMENT FY14-15	20,012,300	46,412,300	25,015,861
ATTORNEY GENERAL LEGAL SERVICES	2,895,600	2,895,600	2,895,600
BUILDING RENEWAL FY12-13	130,054	130,054	129,222
BUILDING RENEWAL FY13-14	2,320,225	2,320,225	1,639,358
BUILDING RENEWAL FY14-15	3,396,800	3,396,800	757,131
DE ICER BUILDINGS FY13-14	1,741,269	1,741,269	1,737,379
DE ICER BUILDINGS FY14-15	2,280,000	2,280,000	163
FRAUD INVESTIGATION	773,300	773,600	762,309
HIGHWAY MAINTENANCE FY13-14	5,583,272	5,583,272	5,561,929
HIGHWAY MAINTENANCE FY14-15	136,178,400	136,202,000	126,369,062
HIGHWAY TO DPS TRANSFER - DOUBLE LOAD	6,743,800	6,743,900	6,743,900
HURF TO DPS TRANSFER - DOUBLE LOAD	89,247,100	89,255,000	89,255,000
LIE TO WMA TRANSFER	330,000	330,100	330,000
NEW THIRD PARTY FUNDING	971,100	971,500	552,157
OPERATING LUMP SUM APPROPRIATION	206,902,200	207,675,000	203,611,751
RELIEF BILL CASH TRANSFER FY15	-	9,274	9,274
SEF TO DPS TRANSFER - DOUBLE LOAD	1,566,300	1,566,300	1,090,525
STATEWIDE HIGHWAY CONSTRUCTION FY13-14	78,374,138	78,374,138	66,232
STATEWIDE HIGHWAY CONSTRUCTION FY14-15	208,899,000	208,899,000	156,695,947
VEHICLE WASH SYSTEMS FY13-14	2,914,533	2,914,533	1,991,465
VEHICLE WASH SYSTEMS FY14-15	3,000,000	3,000,000	5,710
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES	$ 774,259,391	$ 801,913,076	$ 625,659,186

The Notes to Required Supplementary Information are an integral part of this schedule

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2014 that affect available appropriations during fiscal year 2015. The final budget represents any appropriation bills passed during fiscal year 2015 for fiscal year 2015 plus the original budget. Appropriation bills passed after the end of fiscal year 2015 for fiscal year 2015 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund
Uses/outflows of resources		
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 17,781,392	$ 625,659
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2014 to fiscal year end 2015.	38,065	459,722
Increase in unpaid payroll expenditures from fiscal year end 2014 to fiscal year end 2015. For budgetary reporting, final June 2014 payroll expenditures were charged to fiscal year 2015 budget and final June 2015 payroll expenditures were charged to fiscal year 2016 budget.	5,368	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	1,170,313	-
Distribution to counties and cities for Urban Revenue Sharing, derived from the State's income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	640,436	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	1,025	-
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2015.	4,243,718	1,688,964
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(952,780)	(305,410)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 22,927,537	$ 2,468,935

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting (OSPB), unless an extension is granted for up to an additional 30 days by the OSPB Director. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on an annual basis. The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items – The appropriation of an agency for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include Full Time Equivalent positions. Agencies are permitted to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

During the fiscal year, $2.1 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by $27.7 million. These amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next fiscal year for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature *may* provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2015

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the final budget amount of $813.2 million for the Department of Health Services' Medicaid Behavioral Health - Traditional on **page 146**, which includes $582.8 million of duplicate expenditure authorizations. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to "actual" expenditure amounts, duplicate expenditure authorizations have been eliminated from the General Fund's budget (appropriation) totals on **page 151**.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2015

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), as amended, the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,800 center lane miles (21,390 travel lane miles) of roads and 4,798 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2015 and beyond was adopted by the Transportation Board on June 13, 2014.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on "programmed" projects which may or may not be spent in the current year of the Program. Programmed expenditures consist of those items that are planned for the future, with contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were programmed for a prior year's Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State's success in achieving condition levels that exceed the established levels.

Roads

The mission of the Arizona Department of Transportation's (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the PMS both work toward the same basic goal, the efficient, effective management of the State's assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called the "Present Serviceability Rating" (PSR). PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State's highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2015, an overall rating of 3.68 was achieved, as shown in the following graph:

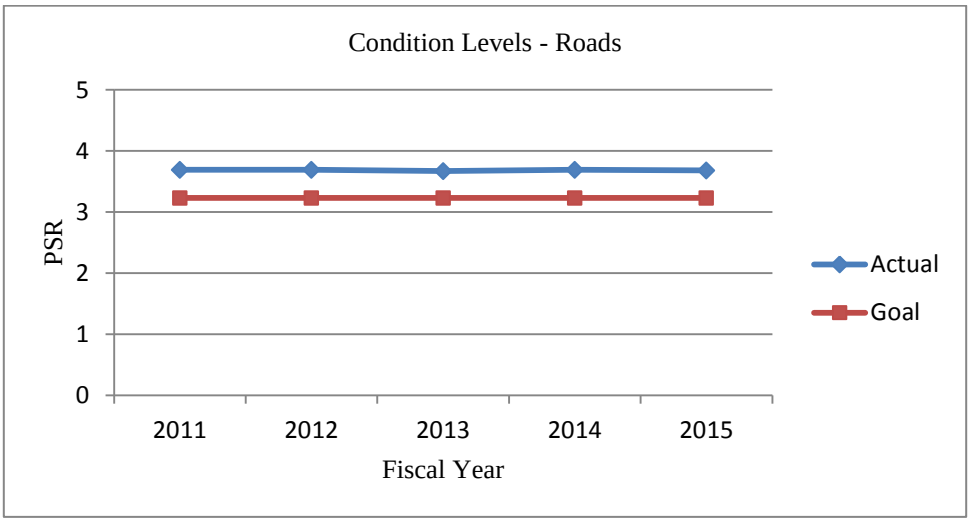


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT's PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2011 through 2015 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2011	$265.7	$373.4
2012	$261.9	$373.6
2013	$276.3	$291.3
2014	$271.2	$287.2
2015	$249.5	$300.6

Bridges

The State's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2015, the State owned and maintained 4,798 bridges with an approximate total deck area of 49,753,220 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges." The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the other three condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Management of the bridge inventory is a major function of the ADOT's Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2015, the CRI was computed at 93.5%.

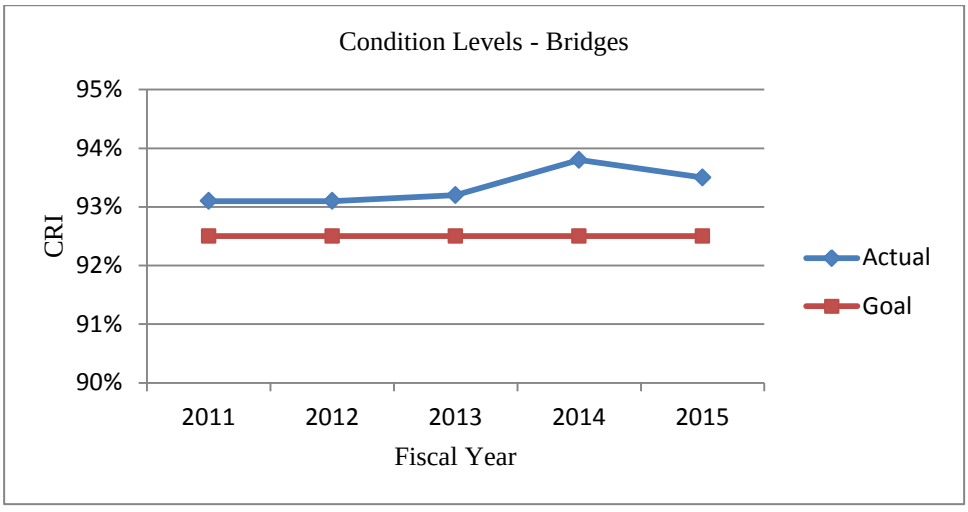


Figure 2

Bridges represent a major public investment, and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost effective transportation system. Figure 3 indicates that approximately 56% of the bridges in the State were constructed prior to the 1970s while only 15% have been constructed since 2000.

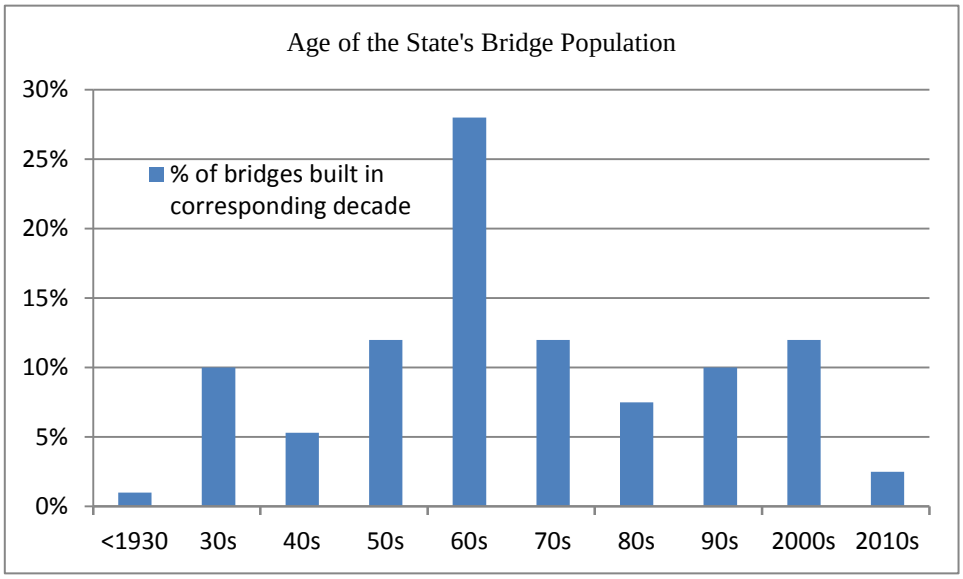


Figure 3

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2011 through 2015 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2011	$11.8	$26.0
2012	$12.5	$20.6
2013	$14.7	$10.7
2014	$21.2	$20.5
2015	$13.7	$21.9

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
FOR THE LAST FISCAL YEAR (1)
JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year 2015
State's proportion of the net pension liability	21.36%
State's proportionate share of the net pension liability	$ 3,160,809
State's covered-employee payroll	$ 1,930,650
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.72%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ELECTED OFFICIALS' RETIREMENT PLAN
FOR THE LAST FISCAL YEAR (1)
JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year 2015
State's proportion of the net pension liability	18.16%
State's proportionate share of the net pension liability	$ 121,797
State's covered-employee payroll	$ 12,604
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	966.34%
Plan fiduciary net position as a percentage of the total pension liability	31.91%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AS A NONEMPLOYER CONTRIBUTING ENTITY
ELECTED OFFICIALS' RETIREMENT PLAN
FOR THE LAST FISCAL YEAR (1)
JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year 2015
State's proportion of the net pension liability	19.20%
State's proportionate share of the net pension liability	$ 128,776
Plan fiduciary net position as a percentage of the total pension liability	31.91%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
PSPRS DEPARTMENT OF PUBLIC SAFETY
FOR THE LAST FISCAL YEAR (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year 2015
Total pension liability	
Service cost	$ 13,111
Interest on the total pension liability	66,664
Changes of benefit terms	23,768
Differences between expected and actual experience in the measurement of the pension liability	(3,711)
Changes of assumptions or other inputs	107,172
Benefit payments, including refunds of employee contributions	(69,497)
Net change in total pension liability	137,507
Total pension liability - beginning	877,415
Total pension liability - ending (a)	$ 1,014,922
Plan fiduciary net position	
Contributions - employer	$ 34,965
Contributions - employee	4,080
Net investment income	46,223
Benefit payments, including refunds of employee contributions	(69,497)
Administrative expense	(372)
Other changes	393
Net change in plan fiduciary net position	15,792
Plan fiduciary net position - beginning	345,462
Plan fiduciary net position - ending (b)	$ 361,254
State's net pension liability - ending (a) - (b)	$ 653,668
Plan fiduciary net position as a percentage of the total pension liability	35.59%
Covered-employee payroll	$ 86,396
State's net pension liability as a percentage of covered-employee payroll	756.60%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
CORP DEPARTMENT OF CORRECTIONS
FOR THE LAST FISCAL YEAR (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year 2015
Total pension liability	
Service cost	$ 48,061
Interest on the total pension liability	92,486
Changes of benefit terms	21,354
Differences between expected and actual experience in the measurement of the pension liability	(3,818)
Changes of assumptions or other inputs	125,557
Benefit payments, including refunds of employee contributions	(83,365)
Net change in total pension liability	200,275
Total pension liability - beginning	1,195,822
Total pension liability - ending (a)	$ 1,396,097
Plan fiduciary net position	
Contributions - employer	$ 40,166
Contributions - employee	27,722
Net investment income	96,216
Benefit payments, including refunds of employee contributions	(83,365)
Administrative expense	(757)
Other changes	(446)
Net change in plan fiduciary net position	79,536
Plan fiduciary net position - beginning	696,469
Plan fiduciary net position - ending (b)	$ 776,005
State's net pension liability - ending (a) - (b)	$ 620,092
Plan fiduciary net position as a percentage of the total pension liability	55.58%
Covered-employee payroll	$ 369,174
State's net pension liability as a percentage of covered-employee payroll	167.97%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
FOR THE LAST TWO FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year	
	2015	2014
Statutorily required contribution	**$** 217,388	**$** 206,040
State's contributions in relation to the statutorily required contribution	217,388	206,040
State's contribution deficiency (excess)	**$** -	**$** -
State's covered-employee payroll	**$** 2,000,961	**$** 1,930,650
State's contributions as a percentage of covered-employee payroll	10.86%	10.67%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ELECTED OFFICIALS' RETIREMENT PLAN
FOR THE LAST TWO FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year	
	2015	2014
Statutorily required contribution (2)	**$** 3,928	**$** 3,870
State's contributions in relation to the statutorily required contribution (2)	3,928	3,870
State's contribution deficiency (excess)	**$** -	**$** -
State's covered-employee payroll	**$** 12,987	**$** 12,604
State's contributions as a percentage of covered-employee payroll	30.25%	30.70%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

(2) The State appropriated $5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS, AS A NONEMPLOYER CONTRIBUTING ENTITY
ELECTED OFFICIALS' RETIREMENT PLAN
FOR THE LAST TWO FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year	
	2015	2014
Statutorily required contribution (2)	**$** 4,066	**$** 4,092
State's contributions in relation to the statutorily required contribution (2)	4,066	4,092
State's contribution deficiency (excess)	**$** -	**$** -

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

(2) The State appropriated $5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
PSPRS DEPARTMENT OF PUBLIC SAFETY
FOR THE LAST TWO FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year	
	2015	2014
Actuarially determined contribution	**$** 40,328	**$** 34,965
State's contributions in relation to the actuarially determined contribution	40,328	34,965
State's contribution deficiency (excess)	**$** -	**$** -
State's covered-employee payroll	**$** 88,338	**$** 86,396
State's contributions as a percentage of covered-employee payroll	45.65%	40.47%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
CORP DEPARTMENT OF CORRECTIONS
FOR THE LAST TWO FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year	
	2015	2014
Actuarially determined contribution	**$** 43,105	**$** 40,166
State's contributions in relation to the actuarially determined contribution	43,105	40,166
State's contribution deficiency (excess)	**$** -	**$** -
State's covered-employee payroll	**$** 378,481	**$** 369,174
State's contributions as a percentage of covered-employee payroll	11.39%	10.88%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of these schedules.

ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarially determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period, as of the 2013 actuarial valuation	23 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value, 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE-EMPLOYER OPEB PLAN FUNDING PROGRESS
JUNE 30, 2015

Analysis of the funding progress for the ADOA single-employer defined benefit post-employment plan, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
6/30/2014	-	$ 242,946	$ (242,946)	0.0%	$ 3,051,816	(8.0)%
6/30/2012	-	226,169	(226,169)	0.0%	2,791,581	(8.1)%
6/30/2010	-	279,815	(279,815)	0.0%	2,681,211	(10.4)%

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds

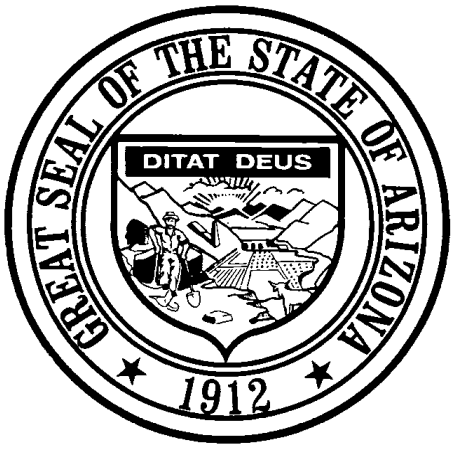
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	$ 1,653	$ -	$ -	$ 1,653
Cash and pooled investments with State Treasurer	800,883	1,769	-	802,652
Collateral investment pool	9,695	-	-	9,695
Receivables, net of allowances:				
Taxes	78,159	-	-	78,159
Interest	154	89	98	341
Other	25,215	-	-	25,215
Due from U.S. Government	16,113	-	-	16,113
Due from other Funds	72,398	3,751	-	76,149
Restricted assets:				
Cash and pooled investments with State Treasurer	369,118	35,295	210,128	614,541
Cash held by trustee	468	16,762	-	17,230
Total Assets	$ 1,373,856	$ 57,666	$ 210,226	$ 1,641,748
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 14,266	$ 20	$ 5,150	$ 19,436
Accrued liabilities	48,138	237	55	48,430
Obligations under securities loan agreements	9,695	-	-	9,695
Tax refunds payable	906	-	-	906
Due to local governments	147,655	-	-	147,655
Due to others	14,313	-	-	14,313
Due to other Funds	22,376	-	-	22,376
Unearned revenue	1,301	-	-	1,301
Total Liabilities	258,650	257	5,205	264,112
Deferred Inflows of Resources:				
Unavailable revenue	814	-	-	814
Fund Balances:				
Restricted	501,928	57,409	205,021	764,358
Committed	612,464	-	-	612,464
Total Fund Balances	1,114,392	57,409	205,021	1,376,822
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,373,856	$ 57,666	$ 210,226	$ 1,641,748

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 501,271	$ 56,082	$ -	$ 557,353
Income	36	-	-	36
Tobacco	250,159	-	-	250,159
Property	2,000	-	-	2,000
Motor vehicle and fuel	122,897	-	-	122,897
Other	95,115	-	-	95,115
Intergovernmental	105,300	-	-	105,300
Licenses, fees, and permits	289,816	-	-	289,816
Hospital and nursing facility assessments	291,324	-	-	291,324
Earnings on investments	49,411	1,792	2,482	53,685
Sales and charges for services	34,215	-	-	34,215
Fines, forfeitures, and penalties	135,948	-	-	135,948
Gaming	83,140	-	-	83,140
Other	26,287	58	-	26,345
Total Revenues	1,986,919	57,932	2,482	2,047,333
EXPENDITURES				
Current:				
General government	150,395	-	-	150,395
Health and welfare	554,366	-	-	554,366
Inspection and regulation	116,331	-	-	116,331
Education	762,911	-	-	762,911
Protection and safety	261,109	-	-	261,109
Transportation	-	-	28,535	28,535
Natural resources	119,609	-	-	119,609
Debt service:				
Principal	10,490	336,125	-	346,615
Interest and other fiscal charges	15,104	208,770	-	223,874
Capital outlay	21,020	-	79,937	100,957
Total Expenditures	2,011,335	544,895	108,472	2,664,702
(Deficiency) of Revenues Over Expenditures	(24,416)	(486,963)	(105,990)	(617,369)
OTHER FINANCING SOURCES (USES)				
Transfers in	104,597	484,004	-	588,601
Transfers out	(109,118)	-	-	(109,118)
Refunding bonds issued	-	754,285	-	754,285
Payment to refunded bond escrow agent	-	(900,813)	-	(900,813)
Premium on debt issued	-	149,554	-	149,554
Total Other Financing Sources (Uses)	(4,521)	487,030	-	482,509
Net Change in Fund Balances	(28,937)	67	(105,990)	(134,860)
Fund Balances - Beginning	1,143,329	57,342	311,011	1,511,682
Fund Balances - Ending	$ 1,114,392	$ 57,409	$ 205,021	$ 1,376,822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NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The Public Safety and Correctional Programs Fund accounts for law enforcement, military, custody, and related services provided to the general public.

The Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

The Healthcare and Social Services Fund accounts for health and welfare services provided to the general public.

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; to increase the quality of, and access to, the early childhood development and health system that ensures a child entering school comes healthy and ready to succeed; and for medically needy healthcare programs.

The Judicial and Legal Services Fund accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

The Regulating and Licensing Fund accounts for inspection and regulatory services provided to the general public.

The Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

The State Parks Development Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park lands, sites and facilities.

The Business Development Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

The Educational Programs Fund accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

The Groundwater Protection and Conservation Fund accounts for strategic water resources planning, Colorado River water management, drought management planning, dam safety, flood mitigation, administration of the Arizona Groundwater Management Code, and administration of water rights. These programs are the responsibility of the Department of Water Resources.

The Clean Elections System Fund accounts for fines and fees collected to pay for campaign expenses of statewide candidates and State legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	$ 1,606	$ -	$ -	$ -	$ -	$ 17
Cash and pooled investments with State Treasurer	107,899	113,274	98,677	18,794	104,636	134,403
Collateral investment pool	-	1,969	-	6,621	1,105	-
Receivables, net of allowances:						
Taxes	4,606	-	5,880	15,393	-	-
Interest	10	39	10	5	24	10
Other	-	266	7,269	55	5	2,889
Due from U.S. Government	-	-	16,110	3	-	-
Due from other Funds	6,279	3,764	1,234	1,004	1,556	729
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	1,473	367,645	-	-
Cash held by trustee	-	-	468	-	-	-
Total Assets	$ 120,400	$ 119,312	$ 131,121	$ 409,520	$ 107,326	$ 138,048
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 2,943	$ 3,097	$ 1,453	$ 884	$ 2,085	$ 1,049
Accrued liabilities	5,580	450	36,779	421	815	2,372
Obligations under securities loan agreements	-	1,969	-	6,621	1,105	-
Tax refunds payable	-	-	-	-	-	906
Due to local governments	-	-	-	-	-	-
Due to others	-	-	-	14,027	2	284
Due to other Funds	35	220	5,283	16,765	27	46
Unearned revenue	-	-	1,301	-	-	-
Total Liabilities	8,558	5,736	44,816	38,718	4,034	4,657
Deferred Inflows of Resources:						
Unavailable revenue	-	-	814	-	-	-
Fund Balances:						
Restricted	-	-	20,845	370,802	6,426	-
Committed	111,842	113,576	64,646	-	96,866	133,391
Total Fund Balances	111,842	113,576	85,491	370,802	103,292	133,391
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 120,400	$ 119,312	$ 131,121	$ 409,520	$ 107,326	$ 138,048

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ 30	$ -	$ -	$ -	$ -	$ -	$ 1,653
45,355	15,541	20,551	98,357	20,575	22,821	800,883
-	-	-	-	-	-	9,695
-	-	-	52,280	-	-	78,159
19	7	11	9	10	-	154
1,849	-	-	12,881	-	1	25,215
-	-	-	-	-	-	16,113
154	242	-	57,433	-	3	72,398
-	-	-	-	-	-	369,118
-	-	-	-	-	-	468
$ 47,407	$ 15,790	$ 20,562	$ 220,960	$ 20,585	$ 22,825	$ 1,373,856
$ 2,132	$ 197	$ -	$ 16	$ 168	$ 242	$ 14,266
1,329	108	109	133	22	20	48,138
-	-	-	-	-	-	9,695
-	-	-	-	-	-	906
-	-	-	147,655	-	-	147,655
-	-	-	-	-	-	14,313
-	-	-	-	-	-	22,376
-	-	-	-	-	-	1,301
3,461	305	109	147,804	190	262	258,650
-	-	-	-	-	-	814
7,404	-	732	73,156	-	22,563	501,928
36,542	15,485	19,721	-	20,395	-	612,464
43,946	15,485	20,453	73,156	20,395	22,563	1,114,392
$ 47,407	$ 15,790	$ 20,562	$ 220,960	$ 20,585	$ 22,825	$ 1,373,856

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	$ 17,592	$ 247	$ 4,425	$ -	$ -	$ -
Income	-	-	-	-	-	-
Tobacco	5,015	-	8,256	236,888	-	-
Property	-	-	2,000	-	-	-
Motor vehicle and fuel	97,062	14,967	-	-	-	330
Other	56,833	2,209	-	-	-	36,073
Intergovernmental	17,270	-	53,434	442	1,213	85
Licenses, fees, and permits	21,563	63,061	24,999	-	25,615	96,824
Hospital and nursing facility assessments	-	-	291,324	-	-	-
Earnings on investments	243	586	133	6,827	872	143
Sales and charges for services	14,360	-	2,985	-	506	2,145
Fines, forfeitures, and penalties	73,646	230	9,622	-	41,153	2,925
Gaming	-	-	22,301	-	-	9,828
Other	1,847	144	2,316	637	2,340	2,145
Total Revenues	305,431	81,444	421,795	244,794	71,699	150,498
EXPENDITURES						
Current:						
General government	31,888	1,063	3,034	525	89,763	1,772
Health and welfare	-	69,427	396,332	80,550	-	8,057
Inspection and regulation	-	1,324	-	-	15	114,992
Education	-	-	-	162,400	-	-
Protection and safety	261,105	-	-	-	-	4
Natural resources	23,478	539	-	-	-	-
Debt service:						
Principal	9,905	-	-	-	-	-
Interest and other fiscal charges	14,481	-	-	-	-	-
Capital outlay	12,894	40	269	21	45	763
Total Expenditures	353,751	72,393	399,635	243,496	89,823	125,588
Excess (Deficiency) of Revenues Over Expenditures	(48,320)	9,051	22,160	1,298	(18,124)	24,910
OTHER FINANCING SOURCES (USES)						
Transfers in	70,879	7,000	7,055	1,445	3,079	4,670
Transfers out	(20,572)	(6,675)	(5,144)	(37,599)	(18,900)	(14,212)
Total Other Financing Sources (Uses)	50,307	325	1,911	(36,154)	(15,821)	(9,542)
Net Change in Fund Balances	1,987	9,376	24,071	(34,856)	(33,945)	15,368
Fund Balances - Beginning	109,855	104,200	61,420	405,658	137,237	118,023
Fund Balances - Ending	$ 111,842	$ 113,576	$ 85,491	$ 370,802	$ 103,292	$ 133,391

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ -	$ -	$ -	$ 479,007	$ -	$ -	$ 501,271
-	-	-	36	-	-	36
-	-	-	-	-	-	250,159
-	-	-	-	-	-	2,000
926	9,291	-	321	-	-	122,897
-	-	-	-	-	-	95,115
30,019	-	1,728	1,109	-	-	105,300
38,814	3,269	5,013	3,869	6,789	-	289,816
-	-	-	-	-	-	291,324
299	91	154	39,941	122	-	49,411
2,873	-	266	11,072	8	-	34,215
125	-	-	-	1	8,246	135,948
6,372	-	-	44,639	-	-	83,140
833	43	3,240	7,997	4,589	156	26,287
80,261	12,694	10,401	587,991	11,509	8,402	1,986,919
-	1,690	11,448	-	-	9,212	150,395
-	-	-	-	-	-	554,366
-	-	-	-	-	-	116,331
-	-	13	600,498	-	-	762,911
-	-	-	-	-	-	261,109
78,146	6,946	-	-	10,500	-	119,609
585	-	-	-	-	-	10,490
622	-	1	-	-	-	15,104
6,002	768	1	214	-	3	21,020
85,355	9,404	11,463	600,712	10,500	9,215	2,011,335
(5,094)	3,290	(1,062)	(12,721)	1,009	(813)	(24,416)
10,169	-	-	-	300	-	104,597
(5,282)	(1)	(465)	(236)	-	(32)	(109,118)
4,887	(1)	(465)	(236)	300	(32)	(4,521)
(207)	3,289	(1,527)	(12,957)	1,309	(845)	(28,937)
44,153	12,196	21,980	86,113	19,086	23,408	1,143,329
$ 43,946	$ 15,485	$ 20,453	$ 73,156	$ 20,395	$ 22,563	$ 1,114,392

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	$ 9,693	$ 9,693
OPERATING LUMP SUM APPROPRIATION	1,936,800	1,400,800
ACUPUNCTURE BOARD OF EXAMINERS		
ADMINISTRATIVE ADJUSTMENTS	341	341
OPERATING LUMP SUM APPROPRIATION	154,700	144,258
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,716	1,716
OPERATING LUMP SUM APPROPRIATION	1,501,200	930,131
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
ALTCS SERVICES	54,386,300	54,386,298
PROPOSITION 204 SERVICES	288,644,500	279,119,156
TRADITIONAL MEDICAID SERVICES	34,178,800	34,178,800
APPRAISAL, STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	861,800	616,949
ATHLETIC TRAINING, BOARD OF		
OPERATING LUMP SUM APPROPRIATION	118,200	103,060
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMINISTRATIVE ADJUSTMENTS	100,979	100,979
OPERATING LUMP SUM APPROPRIATION	12,439,300	11,799,287
PAD NATIONAL MORTGAGE SETTLEMENT	40,152,361	17,417,554
VICTIMS RIGHTS	3,758,600	3,752,596
AUTOMOBILE THEFT AUTHORITY		
AUTOMOBILE THEFT AUTHORITY GRANTS	4,607,700	4,579,747
OPERATING LUMP SUM APPROPRIATION	640,100	480,087
REIMBURSABLE PROGRAMS	50,000	5,000
BARBERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	5	5
OPERATING LUMP SUM APPROPRIATION	333,900	306,236
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,296	2,296
OPERATING LUMP SUM APPROPRIATION	1,758,600	1,551,773
BOARD OF MASSAGE THERAPY		
ADMINISTRATIVE ADJUSTMENTS	2,842	2,842
OPERATING LUMP SUM APPROPRIATION	438,700	434,364
CHILD SAFETY, DEPARTMENT OF		
DCS IN-HOME PREVENTIVE SUPPORT SERVICES	1,459,100	2,580
DCS OPERATING LUMP SUM	207,700	2,372
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,930	2,930
OPERATING LUMP SUM APPROPRIATION	450,600	377,473
CONTRACTORS, REGISTRAR OF		
ADMINISTRATIVE ADJUSTMENTS	2,270	2,270
OFFICE OF ADMINISTRATIVE HEARINGS COSTS	1,017,600	254,400
OPERATING LUMP SUM APPROPRIATION	11,179,100	7,882,580
CORPORATION COMMISSION		
ADMINISTRATIVE ADJUSTMENTS	420,130	420,130
ANNUAL REV PUBLIC ACCESS FUND ARS 10-122	1,561,709	1,561,709
ANNUAL REVERSION PER ARS 44-3298	3,924,146	3,924,146
CORPORATION FILINGS, SAME DAY SERVICE	400,400	-
OPERATING LUMP SUM APPROPRIATION	25,598,500	25,191,879
SEC DATABASE REPLACEMENT	750,000	20,000
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY09-10	43,950	43,950
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY10-11	379,960	379,960
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY11-12	380,000	174,198
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY12-13	380,000	-

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY13-14	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY14-15	380,000	-
CORRECTIONS, STATE DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	71,226	71,226
CASH TRANSFER TO AUTOMATION PROJECTS FUND	8,000,000	8,000,000
CASH TRANSFER TO BUILDING RENEWAL FUND	2,500,000	2,500,000
INMATE HEALTH CARE CONTRACTED SERVICES	10,000,000	9,538,676
OPERATING LUMP SUM APPROPRIATION	7,239,400	6,899,353
PRIVATE PRISON PER DIEM	24,517,000	24,516,999
COSMETOLOGY, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	1,718	1,718
OPERATING LUMP SUM APPROPRIATION	1,785,000	1,771,402
CRIMINAL JUSTICE COMMISSION, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	34,265	34,265
INDIGENT DEFENSE FUND TRANSFERS	1,500,100	1,500,100
OPERATING LUMP SUM APPROPRIATION	889,000	691,131
STATE AID TO COUNTY ATTORNEYS	973,600	730,200
VICTIM COMPENSATION AND ASSISTANCE	4,092,500	3,084,006
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
ADMINISTRATIVE ADJUSTMENTS	37,745	37,745
AGENCY BUSINESS UPGRADES	220,000	-
INTERPRETER FOR CERTIFICATION AND LICENSURE FY04-05	255,313	-
OPERATING LUMP SUM APPROPRIATION	4,056,700	3,522,770
RELIEF BILL CASH TRANSFER FY15	331	331
DENTAL EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	730	730
OPERATING LUMP SUM APPROPRIATION	1,215,100	1,116,021
ECONOMIC SECURITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	4,621,932	4,621,932
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	2,602,100	370,208
ATTORNEY GENERAL LEGAL SERVICES	91,600	-
DOMESTIC VIOLENCE PREVENTION	2,220,000	2,220,000
INDEPENDENT LIVING REHABILITATION SERVICES	1,123,400	1,091,737
JOBS	1,110,900	-
REHABILITATION SERVICES	204,700	155,847
EDUCATION, BOARD OF		
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	109,989	-
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY-SCHOOL SAFETY-PROP 301 FY11-12	3,400	3,400
ACCOUNTABILITY-SCHOOL SAFETY-PROP 301 FY13-14	60,044	60,044
ACCOUNTABILITY-SCHOOL SAFETY-PROP 301 FY14-15	7,800,000	7,240,354
ACHIEVEMENT TESTING-PROP 301 FY11-12	1,721,241	1,492,257
ACHIEVEMENT TESTING-PROP 301 FY12-13	5,575,413	5,170,766
ACHIEVEMENT TESTING-PROP 301 FY13-14	7,000,000	4,292,329
ACHIEVEMENT TESTING-PROP 301 FY14-15	7,000,000	-
ADDITIONAL SCHOOL DAYS-PROP 301 FY14-15	86,280,500	86,280,500
CHARACTER EDUCATION-PROP 301 FY11-12	-	(1,167)
CHARACTER EDUCATION-PROP 301 FY13-14	91,006	91,006
CHARACTER EDUCATION-PROP 301 FY14-15	200,000	177,863
FAILING SCHOOL TUTORING-PROP 301 FY13-14	193,665	193,665
FAILING SCHOOL TUTORING-PROP 301 FY14-15	1,500,000	968,552
OPERATING LUMP SUM APPROPRIATION-ADMINISTRATION	138,200	124,492
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	269,811	269,811
SCHOOL ACCOUNTABILITY-PROP 301 FY09-10	121,803	11,139
TEACHER CERTIFICATION	1,842,500	1,662,092

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF		
EMERGENCY MANAGEMENT	132,700	128,504
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	545,055	545,055
AIR QUALITY FEE FUND STATE TRANSFERS	400,000	400,000
AIR QUALITY PROGRAM - CONTINUING FY01-02	186,035	-
AIR QUALITY PROGRAM - CONTINUING FY02-03	182,451	-
CASH TRANSFER TO AUTOMATION PROJECT FUND	6,800,000	6,800,000
EMISSIONS CAP AND TRADING PROGRAM FY01-02	70,576	-
EMISSIONS CAP AND TRADING PROGRAM FY02-03	266,582	-
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	22,219,500	21,707,717
OPERATING LUMP SUM APPROPRIATION	31,812,200	19,380,125
POLITICAL SUBDIVISION ASSISTANCE FY01-02	18,500	-
ROADSIDE DIESEL EMISSIONS TEST FY01-02	200,000	-
SAFE DRINKING WATER PROGRAM	1,800,000	705,784
UNDERGROUND STORAGE TANK APPEALS FY00-01	7,500	-
VISIBILITY INDEX DEVELOPMENT FY01-02	80,589	-
FINANCIAL INSTITUTIONS, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,383	1,383
OPERATING LUMP SUM APPROPRIATION	1,247,400	1,134,183
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	322	322
OPERATING LUMP SUM APPROPRIATION	353,700	326,395
GAME AND FISH DEPARTMENT, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	2,920	2,920
BLACK CANYON DAM MODIFICATIONS FY05-06	368,321	10,938
BOAT SHADE CANOPIES FY08-09	56,535	52,085
BUILDING RENEWAL FY12-13	76,743	-
BUILDING RENEWAL FY13-14	547,600	503,557
DAM MAINTENANCE FY11-12	434,294	225,351
DAM MAINTENANCE FY12-13	500,000	30,279
FLAGSTAFF SHOOTING RANGE PLANNING FY02-03	2,673	2,673
LOWER COLORADO MULTI-SPECIES CONSERVATION	350,000	350,000
OPERATING LUMP SUM APPROPRIATION	34,720,100	30,075,746
PERFORMANCE INCENTIVE PAY FY12-13	346,100	-
PERFORMANCE INCENTIVE PAY FY13-14	346,100	-
PERFORMANCE INCENTIVE PAY FY14-15	346,100	-
PITTMAN-ROBERTSON/DINGELL-JOHNSON ACT	3,808,000	3,713,369
PROPERTY MAINTENANCE FY11-12	131,261	104,454
PROPERTY MAINTENANCE FY12-13	38,774	38,461
RADIO TOWER FY10-11	250,000	224,641
REGIONAL KINGMAN OFFICE REMODEL FY09-10	823,186	162,210
TRI-STATE SHOOTING RANGE DEVELOPMENT FY04-05	95,385	95,385
WATERCRAFT GRANT PROGRAM	1,000,000	-
WATERCRAFT SAFETY EDUCATION PROGRAM	250,000	243,375
GAMING, DEPARTMENT OF		
ADDITIONAL OPERATING EXPENSES	800,400	-
CASINO OPERATION CERTIFICATION	2,104,900	1,726,401
OPERATING LUMP SUM APPROPRIATION	8,318,400	8,000,337
PROBLEM GAMBLING	2,292,500	1,747,307
GOVERNOR, OFFICE OF THE		
OPERATING LUMP SUM APPROPRIATION FY11-12	192,300	-
HEALTH SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	511,084	511,084
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	19,075,000	16,543,299
ALZHEIMER DISEASE RESEARCH	1,000,000	1,000,000

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CRISIS SERVICES	2,250,000	2,250,000
FOLIC ACID	400,000	396,282
GENOMICS-BASED MEDICAL RESEARCH	2,000,000	997,500
HIGH RISK PERINATAL SERVICES	450,000	193,072
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	34,767,000	34,767,000
NEWBORN SCREENING PROGRAM	6,307,700	5,371,307
NURSING FACILITY STUDY	50,000	45,110
RELIEF BILL CASH TRANSFER FY15	6,095	6,095
RENAL DENTAL CARE AND NUTRITION SUPPLEMT	300,000	225,000
HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	64	64
OPERATING LUMP SUM APPROPRIATION	102,100	92,476
HOUSING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	314,600	314,600
INDUSTRIAL COMMISSION OF ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	20,311	20,311
OPERATING LUMP SUM APPROPRIATION	19,994,800	18,895,482
JUVENILE CORRECTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	530,600	207,542
LAND DEPARTMENT, STATE		
NATURAL RESOURCE CONSERVATION DISTRICTS	260,000	173,125
MEDICAL EXAMINERS BOARD		
ADMINISTRATIVE ADJUSTMENTS	20,519	20,519
CREDENTIALS VERIFICATION CONTRACT	855,000	734,311
MD FINGERPRINT REFUND SB1149	200,000	-
OPERATING LUMP SUM APPROPRIATION	5,740,300	5,632,413
PERFORMANCE BASED INCENTIVE PROGRAM	165,000	110,475
MINE INSPECTOR, STATE		
ADMINISTRATIVE ADJUSTMENTS	499	499
AGGREGATE MINED LAND RECLAMATION	112,500	20,560
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
ADMINISTRATIVE ADJUSTMENTS	126	126
OPERATING LUMP SUM APPROPRIATION	177,600	163,265
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA		
LEGAL EXPENSES SUPPLEMENTAL	359,300	-
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
ADMINISTRATIVE ADJUSTMENTS	978	978
OPERATING LUMP SUM APPROPRIATION	420,300	387,297
NURSING, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	5,910	5,910
OPERATING LUMP SUM APPROPRIATION	4,272,100	4,247,338
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	87	87
OPERATING LUMP SUM APPROPRIATION	184,200	171,694
OPTICIANS, STATE BOARD OF DISPENSING		
ADMINISTRATIVE ADJUSTMENTS	67	67
OPERATING LUMP SUM APPROPRIATION	135,800	133,920
OPTOMETRY, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,342	2,342
OPERATING LUMP SUM APPROPRIATION	206,100	193,671
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	4,851	4,851
OPERATING LUMP SUM APPROPRIATION	801,700	757,861
PEST MANAGEMENT, OFFICE OF		
OPERATING LUMP SUM APPROPRIATION	1,700,500	1,329,214

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PHARMACY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	12,582	12,582
AZ POISON AND DRUG INFORMATION CENTER	200,000	200,000
CONTROLLED SUBSTANCE PRESCRIPTION MONITORING PROGRAM	395,795	395,795
ONE TIME FUNDING LEAVE PAYOUT	36,300	9,615
OPERATING LUMP SUM APPROPRIATION	2,017,600	1,931,231
PHYSICAL THERAPY EXAMINERS, BOARD OF		
OPERATING LUMP SUM APPROPRIATION	408,000	396,303
PODIATRY EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	66	66
OPERATING LUMP SUM APPROPRIATION	147,300	123,148
POSTSECONDARY EDUCATION, COMMISSION FOR		
ARIZONA COLLEGE AND CAREER GUIDE	21,300	62
AZ MINORITY ED POLICY ANALYSIS CENTER	100,000	13,275
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,098,700	1,098,700
OPERATING LUMP SUM APPROPRIATION FY14-15	184,900	116,496
TWELVE PLUS PARTNERSHIP	130,500	70,511
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
ADMINISTRATIVE ADJUSTMENTS	1,077	1,077
OPERATING LUMP SUM APPROPRIATION	395,700	363,934
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	3,530	3,530
OPERATING LUMP SUM APPROPRIATION	413,600	362,581
PUBLIC SAFETY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	197	197
DNA TESTING	38,680	-
DNA TESTING FY02-03	1,258,331	-
DNA TESTING FY03-04	678,704	-
DNA TESTING FY07-08	938,531	-
MICROWAVE COMMUNICATION SYSTEM UPGRADE	2,000,000	-
MOTOR VEHICLE FUEL	231,300	115,650
OPERATING LUMP SUM APPROPRIATION	148,191,100	145,589,223
PUBLIC SAFETY EQUIPMENT FY09-10	2,728,719	-
PUBLIC SAFETY EQUIPMENT FY11-12	244,856	-
PUBLIC SAFETY EQUIPMENT FY12-13	84,568	-
PUBLIC SAFETY EQUIPMENT FY13-14	76,385	2,494
PUBLIC SAFETY EQUIPMENT FY14-15	1,200,000	893,045
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,890,000	2,534,391
RACING, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,510	1,510
OPERATING LUMP SUM APPROPRIATION	2,900,700	2,848,098
RADIATION REGULATORY AGENCY		
ADMINISTRATIVE ADJUSTMENTS	339	339
OPERATING LUMP SUM APPROPRIATION	273,400	271,026
RESIDENTIAL UTILITY CONSUMER OFFICE		
ADMINISTRATIVE ADJUSTMENTS	670	670
OPERATING LUMP SUM APPROPRIATION	1,192,800	996,416
PROFESSIONAL WITNESSES FY10-11	195	195
PROFESSIONAL WITNESSES FY11-12	44,796	44,790
PROFESSIONAL WITNESSES FY12-13	134,923	128,401
PROFESSIONAL WITNESSES FY13-14	113,726	48,000
PROFESSIONAL WITNESSES FY14-15	145,000	28,689
RESPIRATORY CARE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	262	262
OPERATING LUMP SUM APPROPRIATION	297,200	271,915

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
REVENUE, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	679,500	544,849
SUPREME COURT		
ADULT INTENSIVE PROBATION	1,588,000	1,473,000
ADULT STANDARD PROBATION	4,190,700	4,175,367
AUTOMATION	7,992,100	7,726,313
CASE AND CASH MANAGEMENT SYSTEM	3,187,100	2,426,587
COMMUNITY PUNISHMENT	2,310,300	1,450,955
COURT APPOINTED SPECIAL ADVOCATE	2,941,100	2,548,440
INTERSTATE COMPACT	100,500	100,500
JUVENILE CRIME REDUCTION	5,192,100	3,388,146
JUVENILE STANDARD PROBATION	150,000	19,186
OPERATING LUMP SUM APPROPRIATION	3,311,400	1,988,333
STATE AID	5,949,400	4,648,978
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	11,333	11,333
OPERATING LUMP SUM APPROPRIATION	2,124,600	1,844,291
TREASURER, STATE		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	1,690,405
VETERANS' SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	2,074	2,074
OPERATING LUMP SUM	906,600	659,323
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
OPERATING LUMP SUM APPROPRIATION	577,300	526,754
WATER RESOURCES, DEPARTMENT OF		
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	266,500	52,434
OPERATING LUMP SUM APPROPRIATION	640,400	5,627
WEIGHTS AND MEASURES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,806	1,806
GENERAL SERVICES	330,100	273,297
OXYGENATED FUEL	790,000	772,025
VAPOR RECOVERY	653,200	529,847
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES	$ 1,139,815,433	$ 1,022,177,836

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
LAND ENDOWMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CORRECTIONS, STATE DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	$ 360,000	$ 338,794
PRIVATE PRISON PER DIEM	979,200	979,200
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
PHOENIX DAY SCHOOL FOR THE DEAF	5,851,372	5,701,876
PRESCHOOL AND OUTREACH PROGRAMS	2,736,332	1,819,908
TUCSON CAMPUS	4,002,496	3,938,884
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	46,475,500	46,475,500
HEALTH SERVICES, DEPARTMENT OF		
ARIZONA STATE HOSPITAL - OPERATING	650,000	585,044
JUVENILE CORRECTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	1,098,600	549,300
LAND DEPARTMENT, STATE		
ADMINISTRATIVE ADJUSTMENTS	7,813	7,813
OPERATING LUMP SUM APPROPRIATION	3,662,500	2,849,909
SCANNING AND DIGITIZING TRUST RECORDS	1,200,000	1,006,216
PIONEERS' HOME, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	52,057	52,057
OPERATING LUMP SUM APPROPRIATION	4,458,100	4,233,084
PRESCRIPTION DRUGS	200,000	113,741
TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES	$ 71,733,970	$ 68,651,326

NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

The Lottery Fund administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board.

The Certificates of Participation Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previously issued certificates of participation.

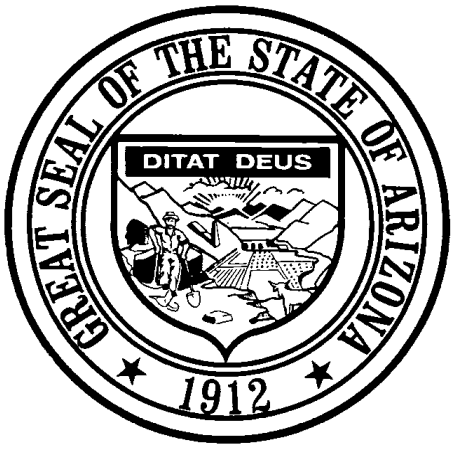
The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds issued by the State of Arizona's School Facilities Board and the retirement of previously issued revenue bonds.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ -	$ 1,234	$ 535	$ 1,769
Interest receivable	-	68	-	21	89
Due from other Funds	3,751	-	-	-	3,751
Restricted assets:					
Cash and pooled investments with State Treasurer	-	88	-	35,207	35,295
Cash held by trustee	-	-	317	16,445	16,762
Total Assets	$ 3,751	$ 156	$ 1,551	$ 52,208	$ 57,666
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ -	$ 20	$ -	$ -	$ 20
Accrued liabilities	-	-	237	-	237
Total Liabilities	-	20	237	-	257
Fund Balances:					
Restricted	$ 3,751	$ 136	$ 1,314	$ 52,208	$ 57,409
Total Liabilities and Fund Balances	$ 3,751	$ 156	$ 1,551	$ 52,208	$ 57,666

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
REVENUES					
Sales taxes	$ -	$ -	$ -	$ 56,082	$ 56,082
Earnings on investments	-	686	-	1,106	1,792
Other	-	-	58	-	58
Total Revenues	-	686	58	57,188	57,932
EXPENDITURES					
Debt service:					
Principal	18,305	185,640	54,880	77,300	336,125
Interest and other fiscal charges	19,194	123,525	55,860	10,191	208,770
Total Expenditures	37,499	309,165	110,740	87,491	544,895
(Deficiency) of Revenues Over Expenditures	(37,499)	(308,479)	(110,682)	(30,303)	(486,963)
OTHER FINANCING SOURCES (USES)					
Transfers in	37,500	305,410	111,165	29,929	484,004
Refunding bonds issued	-	754,285	-	-	754,285
Payment to refunded bond escrow agent	-	(900,813)	-	-	(900,813)
Premium on debt issued	-	149,554	-	-	149,554
Total Other Financing Sources (Uses)	37,500	308,436	111,165	29,929	487,030
Net Change in Fund Balances	1	(43)	483	(374)	67
Fund Balances - Beginning	3,750	179	831	52,582	57,342
Fund Balances - Ending	$ 3,751	$ 136	$ 1,314	$ 52,208	$ 57,409


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

NON-MAJOR GOVERNMENTAL FUND
CAPITAL PROJECTS FUND

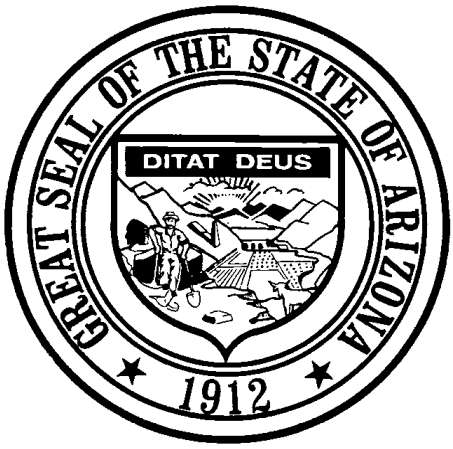
The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board. These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUND
JUNE 30, 2015
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
ASSETS	
Interest receivable	$ 98
Restricted assets:	
Cash and pooled investments with State Treasurer	210,128
Total Assets	$ 210,226
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other current liabilities	$ 5,150
Accrued liabilities	55
Total Liabilities	5,205
Fund Balances:	
Restricted	$ 205,021
Total Fund Balances	205,021
Total Fund Balances	$ 210,226

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
REVENUES	
Earnings on investments	$ 2,482
Total Revenues	2,482
EXPENDITURES	
Current:	
Transportation	28,535
Capital outlay	79,937
Total Expenditures	108,472
(Deficiency) of Revenues Over Expenditures	(105,990)
Fund Balances - Beginning	311,011
Fund Balances - Ending	$ 205,021


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Insurance Department Guaranty Funds pay for claims against insolvent insurance companies under certain property and casualty insurance contracts (also includes return of unearned premiums) and contractual obligations under certain life, annuity and disability insurance contracts.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution, and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Lottery Fund accounts for the revenues received from the sale of lottery tickets, the receipt of license fees, prize payments, operational expenses, including consulting, promotional, and advertising expenses, and transfers of monies to other state funds.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Industrial Commission Special Fund accounts for the payment of workers' compensation claims that are not covered by the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

The Unemployment Compensation Fund pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 50 or fewer employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, performs data analysis, and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the Veterans Administration Reimbursement Fund, the State Home for Veterans Trust Fund, and the Tonto Natural Bridge Publications and Souvenirs Revolving Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE
ASSETS					
Current Assets:					
Cash	$ 457	$ 3,111	$ -	$ 274	$ -
Cash with U.S. Treasury	-	-	-	-	-
Cash and pooled investments with State Treasurer	133	2,579	42,547	7,072	3,609
Restricted cash and pooled investments with State Treasurer	-	-	-	-	-
Collateral investment pool	-	-	-	-	-
Short-term investments	272,842	-	-	-	-
Receivables, net of allowances:					
Taxes	-	-	-	-	-
Interest	-	1	-	-	-
Other	-	973	8,558	6,351	204
Due from U.S. Government	-	73	-	-	-
Due from other Funds	-	8	-	-	62
Inventories, at cost	-	2,267	4,785	4,471	308
Other current assets	-	128	-	50	435
Total Current Assets	273,432	9,140	55,890	18,218	4,618
Noncurrent Assets:					
Investments	10,412	-	-	-	-
Other noncurrent assets	-	-	9,859	-	-
Capital assets:					
Land and other non-depreciable	-	182	938	705	8
Buildings, equipment, and other depreciable, net of accumulated depreciation	-	1,483	2,514	3,584	10
Total Noncurrent Assets	10,412	1,665	13,311	4,289	18
Total Assets	283,844	10,805	69,201	22,507	4,636
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	872	740	933	227

COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND	UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 60	$ 32,538	$ -	$ -	$ -	$ -	$ 36,440
-	-	135,098	-	-	-	135,098
3,380	2,473	-	-	-	6,598	68,391
-	-	-	78,733	-	-	78,733
-	24,339	-	1,900	-	-	26,239
-	-	-	-	-	-	272,842
-	1,912	93,893	-	-	-	95,805
-	1,568	-	-	-	2	1,571
3	1,177	13,847	37	-	2,854	34,004
-	-	-	-	-	-	73
-	-	-	-	-	115	185
-	-	-	-	-	-	11,831
-	-	-	-	-	-	613
3,443	64,007	242,838	80,670	-	9,569	761,825
-	256,005	-	-	-	-	266,417
-	-	-	-	-	-	9,859
70	2,996	-	-	-	980	5,879
8,784	8,581	-	-	-	6,603	31,559
8,854	267,582	-	-	-	7,583	313,714
12,297	331,589	242,838	80,670	-	17,152	1,075,539
479	-	-	-	-	4,281	7,532

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	$ -	$ 430	$ 2,526	$ 2,290	$ 47
Payable for securities purchased	-	-	-	-	-
Accrued liabilities	-	245	-	426	46
Obligations under securities loan agreements	-	-	-	-	-
Tax refunds payable	-	-	-	-	-
Due to U.S. Government	-	-	-	-	-
Due to others	-	-	32,480	-	-
Due to component units	-	-	985	-	-
Due to other Funds	-	-	27,363	-	181
Unearned revenue	-	101	-	-	1,964
Current portion of accrued insurance losses	11,901	-	-	-	-
Current portion of other long-term liabilities	-	223	291	527	156
Total Current Liabilities	11,901	999	63,645	3,243	2,394
Noncurrent Liabilities:					
Accrued insurance losses	239,671	-	-	-	-
Net pension liability	-	6,658	6,280	7,011	1,760
Other long-term liabilities	-	92	-	-	-
Total Noncurrent Liabilities	239,671	6,750	6,280	7,011	1,760
Total Liabilities	251,572	7,749	69,925	10,254	4,154
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	1,164	1,307	1,226	308
NET POSITION					
Net investment in capital assets	-	1,665	3,452	4,288	18
Restricted for:					
Unemployment Compensation	-	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	-
Other	32,272	-	-	-	-
Unrestricted	-	1,099	(4,743)	7,672	383
Total Net Position	$ 32,272	$ 2,764	$ (1,291)	$ 11,960	$ 401

COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND	UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 72	$ 4,366	$ 5	$ -	$ -	$ 413	$ 10,149
-	1,592	-	-	-	-	1,592
67	-	31,460	-	-	505	32,749
-	24,339	-	1,900	-	-	26,239
-	900	-	-	-	-	900
-	-	83	-	-	-	83
-	-	13,187	-	-	-	45,667
-	-	-	-	-	-	985
-	56	433	-	-	-	28,033
60	68	-	-	-	-	2,193
-	15,187	-	-	-	-	27,088
177	-	-	-	-	492	1,866
376	46,508	45,168	1,900	-	1,410	177,544
-	203,844	-	-	-	-	443,515
2,880	-	-	-	-	18,437	43,026
-	-	-	-	-	-	92
2,880	203,844	-	-	-	18,437	486,633
3,256	250,352	45,168	1,900	-	19,847	664,177
504	-	-	-	-	3,224	7,733
8,854	11,577	-	-	-	7,583	37,437
-	-	197,670	-	-	-	197,670
-	-	-	78,770	-	-	78,770
-	-	-	-	-	-	32,272
162	69,660	-	-	-	(9,221)	65,012
$ 9,016	$ 81,237	$ 197,670	$ 78,770	$ -	$ (1,638)	$ 411,161

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

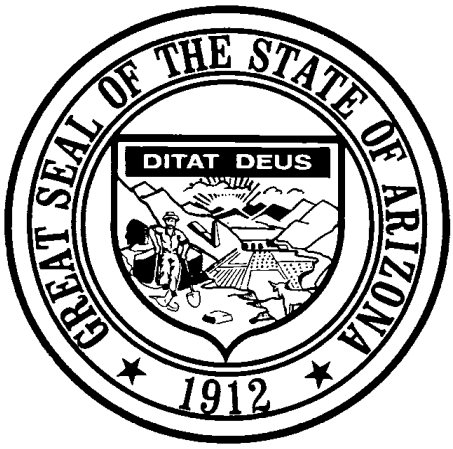
	INSURANCE DEPARTMENT GUARANTY FUNDS	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE
OPERATING REVENUES					
Sales and charges for services	$ -	$ 17,639	$ 749,974	$ 42,193	$ 4,428
Unemployment assessments	-	-	-	-	-
Workers' compensation assessments	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-
Settlement income	1,292	-	-	-	-
Other	-	228	939	-	644
Total Operating Revenues	1,292	17,867	750,913	42,193	5,072
OPERATING EXPENSES					
Cost of sales and benefits	12,926	8,621	557,316	33,206	2,461
Personal services	457	6,155	5,860	4,471	1,699
Contractual services	75	2,231	14,386	-	480
Depreciation and amortization	-	343	285	719	5
Insurance	-	-	40	-	-
Other	200	928	2,036	-	91
Total Operating Expenses	13,658	18,278	579,923	38,396	4,736
Operating Income (Loss)	(12,366)	(411)	170,990	3,797	336
NON-OPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of capital assets	-	-	-	16	-
Investment income	260	8	68	24	25
Other non-operating revenue	-	-	-	-	-
Distributions	-	-	(14,944)	-	-
Interest expense	-	-	-	-	-
Other non-operating expense	(89)	-	-	-	-
Total Non-Operating Revenues (Expenses)	171	8	(14,876)	40	25
Income (Loss) Before Special Items, and Transfers	(12,195)	(403)	156,114	3,837	361
Special Items:					
Transfer of insolvent insurance carriers workers' compensation continuing benefit costs	(241,491)	-	-	-	-
Transfers in	222,848	-	-	-	-
Transfers out	-	-	(161,078)	(1,000)	-
Change in Net Position	(30,838)	(403)	(4,964)	2,837	361
Total Net Position - Beginning, as restated	63,110	3,167	3,673	9,123	40
Total Net Position - Ending	$ 32,272	$ 2,764	$ (1,291)	$ 11,960	$ 401

COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND	UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 11,597	$ -	$ -	$ -	$ -	$ 32,483	$ 858,314
-	-	461,007	-	-	-	461,007
-	14,561	-	-	-	-	14,561
-	-	1,972	-	-	-	1,972
-	8,420	-	-	-	-	9,712
458	-	990	-	-	57	3,316
12,055	22,981	463,969	-	-	32,540	1,348,882
1,577	577	319,359	-	-	49	936,092
4,504	-	-	-	-	20,486	43,632
3,868	-	-	-	-	6,679	27,719
643	1,251	-	-	-	359	3,605
276	-	-	-	-	410	726
1,547	-	-	-	-	4,903	9,705
12,415	1,828	319,359	-	-	32,886	1,021,479
(360)	21,153	144,610	-	-	(346)	327,403
-	(12)	-	-	-	-	4
10	(758)	557	980	-	19	1,193
-	2,254	-	-	-	-	2,254
-	-	-	-	-	-	(14,944)
-	-	(942)	-	-	-	(942)
-	(3,764)	-	(43)	-	-	(3,896)
10	(2,280)	(385)	937	-	19	(16,331)
(350)	18,873	144,225	937	-	(327)	311,072
-	241,491	-	-	-	-	-
-	-	-	-	-	108	222,956
(8)	(222,848)	(4,140)	-	(7,253)	-	(396,327)
(358)	37,516	140,085	937	(7,253)	(219)	137,701
9,374	43,721	57,585	77,833	7,253	(1,419)	273,460
$ 9,016	$ 81,237	$ 197,670	$ 78,770	$ -	$ (1,638)	$ 411,161

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ 19,062	$ 443,392	$ 40,733	$ 4,275
Receipts from assessments	-	-	-	-	-
Receipts from settlement income	1,292	-	-	-	-
Payments to suppliers, prize winners, claimants, or insurance companies	(3,120)	(8,533)	(262,194)	(16,581)	(3,013)
Payments to employees	(457)	(6,049)	(6,013)	(20,190)	(1,616)
Other receipts	-	233	-	-	645
Other payments	-	(3,158)	-	-	-
Net Cash Provided (Used) by Operating Activities	(2,285)	1,555	175,185	3,962	291
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other Funds	222,848	-	-	-	-
Distributions	-	-	(14,944)	-	-
Interest paid on loan due to U.S. Government	-	-	-	-	-
Transfers to other Funds	-	-	(162,694)	(1,000)	-
Net Cash Provided (Used) by Non-capital Financing Activities	222,848	-	(177,638)	(1,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	16	-
Acquisition and construction of capital assets	-	(47)	(38)	(1,022)	-
Net Cash (Used) by Capital and Related Financing Activities	-	(47)	(38)	(1,006)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	-	-	-	-	-
Interest and dividends from investments	344	7	59	24	26
Change in cash collateral received from securities lending transactions	-	-	-	-	-
Purchase of investments	(222,848)	-	-	-	-
Net Cash Provided (Used) by Investing Activities	(222,504)	7	59	24	26
Net Increase (Decrease) in Cash and Cash Equivalents	(1,941)	1,515	(2,432)	1,980	317
Cash and Cash Equivalents - Beginning	2,531	4,175	44,979	5,366	3,292
Cash and Cash Equivalents - Ending	$ 590	$ 5,690	$ 42,547	$ 7,346	$ 3,609
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (12,366)	$ (411)	$ 170,990	$ 3,797	$ 336
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	-	343	285	719	5
Provision for uncollectible accounts	-	-	-	40	-
Miscellaneous income	-	-	-	-	-
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in receivables, net of allowances	-	1,355	(935)	(2,839)	(77)
(Increase) in due from U.S. Government	-	(1)	-	-	-
(Increase) decrease in due from other Funds	-	1	-	-	-
(Increase) decrease in inventories, at cost	-	106	1,172	515	(22)
(Increase) decrease in other assets	-	(20)	3	87	(134)
(Increase) in deferred pension outflows of resources	-	(438)	(331)	(477)	(112)
Increase (decrease) in accounts payable	-	13	(933)	1,438	(5)
Increase (decrease) in accrued liabilities	-	15	4,702	126	10
(Decrease) in due to U.S. Government	-	-	-	-	-
Increase in due to other Funds	-	-	-	-	-
(Decrease) in due to others	-	-	-	-	-
Increase (decrease) in unearned revenue	-	73	-	-	(76)
Increase (decrease) in accrued insurance losses	10,081	-	-	-	-
Increase (decrease) in net pension liability	-	(665)	(1,075)	(723)	(126)
Increase (decrease) in other liabilities	-	20	-	53	184
Increase in deferred pension inflows of resources	-	1,164	1,307	1,226	308
Net Cash Provided (Used) by Operating Activities	$ (2,285)	$ 1,555	$ 175,185	$ 3,962	$ 291
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
(Loss) on disposal of capital assets, net	$ -	$ -	$ -	$ -	$ -
(Decrease) in fair value of investments	(311)	-	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ (311)	$ -	$ -	$ -	$ -

COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND	UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 11,636	$ -	$ -	$ -	$ -	$ 32,561	$ 551,659
-	17,721	461,604	-	-	-	479,325
-	8,420	-	-	-	-	9,712
(7,130)	(26,336)	(320,503)	-	(4)	(12,094)	(659,508)
(4,443)	-	-	-	-	(18,504)	(57,272)
458	2,254	-	-	-	57	3,647
-	-	(9,689)	-	-	-	(12,847)
521	2,059	131,412	-	(4)	2,020	314,716
-	-	-	-	-	108	222,956
-	-	-	-	-	-	(14,944)
-	-	(975)	-	-	-	(975)
(8)	(222,848)	(4,140)	-	(7,253)	-	(397,943)
(8)	(222,848)	(5,115)	-	(7,253)	108	(190,906)
-	-	-	-	-	-	16
(245)	-	-	-	-	(127)	(1,479)
(245)	-	-	-	-	(127)	(1,463)
-	279,190	-	-	-	-	279,190
10	10,682	557	900	-	17	12,626
-	(20,561)	-	1,900	-	-	(18,661)
-	(148,801)	-	-	-	-	(371,649)
10	120,510	557	2,800	-	17	(98,494)
278	(100,279)	126,854	2,800	(7,257)	2,018	23,853
3,162	159,629	8,244	77,833	7,257	4,580	321,048
$ 3,440	$ 59,350	$ 135,098	$ 80,633	$ -	$ 6,598	$ 344,901
$ (360)	$ 21,153	$ 144,610	$ -	$ -	$ (346)	$ 327,403
643	1,251	-	-	-	359	3,605
-	-	-	-	-	-	40
-	74	83	-	-	-	157
62	2,269	(2,151)	-	-	92	(2,224)
-	-	-	-	-	-	(1)
-	-	-	-	-	(14)	(13)
-	-	-	-	-	-	1,771
116	-	-	-	-	-	52
(291)	-	-	-	-	(3,079)	(4,728)
22	943	-	-	(4)	(53)	1,421
(1)	-	2,585	-	-	72	7,509
-	-	(12,921)	-	-	-	(12,921)
-	56	-	-	-	-	56
-	-	(794)	-	-	-	(794)
(23)	(65)	-	-	-	-	(91)
-	(23,622)	-	-	-	-	(13,541)
(155)	-	-	-	-	1,801	(943)
4	-	-	-	-	(36)	225
504	-	-	-	-	3,224	7,733
$ 521	$ 2,059	$ 131,412	$ -	$ (4)	$ 2,020	$ 314,716
$ -	$ (12)	$ -	$ -	$ -	$ -	$ (12)
-	(12,784)	-	-	-	-	(13,095)
$ -	$ (12,796)	$ -	$ -	$ -	$ -	$ (13,107)


GREAT SEAL OF THE STATE OF ARIZONA
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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Telecommunication Fund receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

The Automation Operations Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Accumulated Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
ASSETS				
Current Assets:				
Cash and pooled investments with State Treasurer	$ 84,086	$ 1,465	$ 339,801	$ 523
Receivables, net of allowances:				
Other	1	6	5,600	149
Due from other Funds	-	35	-	-
Inventories, at cost	-	2,680	-	-
Other current assets	3,962	-	10,061	-
Total Current Assets	88,049	4,186	355,462	672
Noncurrent Assets:				
Capital assets:				
Land and other non-depreciable	-	-	-	-
Buildings, equipment, and other depreciable, net of accumulated depreciation	66	66,154	16	-
Total Noncurrent Assets	66	66,154	16	-
Total Assets	88,115	70,340	355,478	672
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	2,180	1,865	494	196
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	5,320	742	121,067	-
Accrued liabilities	338	375	61	25
Due to other Funds	7,800	-	-	-
Unearned revenue	-	32	-	-
Current portion of accrued insurance losses	60,177	-	-	-
Current portion of long-term debt	-	-	-	-
Current portion of other long-term liabilities	707	745	150	58
Total Current Liabilities	74,342	1,894	121,278	83
Noncurrent Liabilities:				
Accrued insurance losses	397,212	-	-	-
Net pension liability	14,390	14,017	2,971	1,043
Long-term debt	-	-	-	-
Other long-term liabilities	-	-	-	-
Total Noncurrent Liabilities	411,602	14,017	2,971	1,043
Total Liabilities	485,944	15,911	124,249	1,126
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	2,516	2,451	520	182
NET POSITION				
Net investment in capital assets	66	66,154	16	-
Unrestricted (deficit)	(398,231)	(12,311)	231,187	(440)
Total Net Position	$ (398,165)	$ 53,843	$ 231,203	$ (440)

AUTOMATION OPERATIONS	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 11,403	$ 4,205	$ 2,406	$ 443,889
928	-	542	7,226
1,873	-	304	2,212
-	-	35	2,715
1,919	-	16	15,958
16,123	4,205	3,303	472,000
11	-	-	11
6,196	-	12,408	84,840
6,207	-	12,408	84,851
22,330	4,205	15,711	556,851
1,665	-	166	6,566
96	-	493	127,718
193	-	17	1,009
-	-	-	7,800
-	-	-	32
-	-	-	60,177
876	-	452	1,328
474	9,179	43	11,356
1,639	9,179	1,005	209,420
-	-	-	397,212
9,599	-	1,003	43,023
3,211	-	1,404	4,615
-	149,354	-	149,354
12,810	149,354	2,407	594,204
14,449	158,533	3,412	803,624
1,679	-	175	7,523
6,207	-	12,408	84,851
1,660	(154,328)	(118)	(332,581)
$ 7,867	$ (154,328)	$ 12,290	$ (247,730)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

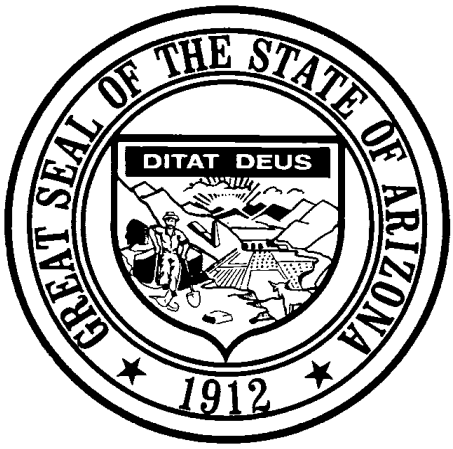
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
OPERATING REVENUES				
Sales and charges for services	$ 103,302	$ 24,341	$ 843,069	$ 1,637
Other	1	37	-	-
Total Operating Revenues	103,303	24,378	843,069	1,637
OPERATING EXPENSES				
Cost of sales and benefits	-	9,420	742,611	2
Personal services	12,959	13,567	2,159	960
Contractual services	18,785	234	1,341	239
Depreciation and amortization	35	10,489	7	52
Insurance	83,874	-	7,790	20
Other	1,412	4,819	652	455
Total Operating Expenses	117,065	38,529	754,560	1,728
Operating Income (Loss)	(13,762)	(14,151)	88,509	(91)
NON-OPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets	-	1,223	-	6
Investment income	-	4	-	-
Other non-operating revenue	-	385	-	-
Other non-operating expense	(14,709)	-	(14,403)	-
Total Non-Operating Revenues (Expenses)	(14,709)	1,612	(14,403)	6
Income (Loss) Before Contributions and Transfers	(28,471)	(12,539)	74,106	(85)
Capital grants and contributions	-	10,927	-	-
Transfers out	(1,775)	-	(54,170)	(41)
Change in Net Position	(30,246)	(1,612)	19,936	(126)
Total Net Position - Beginning, as restated	(367,919)	55,455	211,267	(314)
Total Net Position - Ending	$ (398,165)	$ 53,843	$ 231,203	$ (440)

AUTOMATION OPERATIONS	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 29,636	$ 13,668	$ 8,662	$ 1,024,315
-	-	25	63
29,636	13,668	8,687	1,024,378
10,465	13,984	4,372	780,854
8,218	68	779	38,710
1,937	4	142	22,682
1,812	-	2,297	14,692
370	-	511	92,565
446	-	1,196	8,980
23,248	14,056	9,297	958,483
6,388	(388)	(610)	65,895
11	-	-	1,240
-	-	-	4
-	-	583	968
-	-	-	(29,112)
11	-	583	(26,900)
6,399	(388)	(27)	38,995
11	-	405	11,343
(9,696)	-	(2)	(65,684)
(3,286)	(388)	376	(15,346)
11,153	(153,940)	11,914	(232,384)
$ 7,867	$ (154,328)	$ 12,290	$ (247,730)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 103,346	$ 24,334	$ 850,707	$ 1,637
Payments to suppliers or insurance companies	(64,799)	(13,281)	(773,483)	(942)
Payments to employees	(12,163)	(12,943)	(2,411)	(1,031)
Payments to retirees	-	-	-	-
Other receipts	1	37	-	-
Other payments	(14,709)	-	(14,403)	-
Net Cash Provided (Used) by Operating Activities	11,676	(1,853)	60,410	(336)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other Funds	(1,775)	-	(54,170)	(41)
Net Cash (Used) by Non-capital Financing Activities	(1,775)	-	(54,170)	(41)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	2,010	-	6
Proceeds from capital debt, installment purchase contracts, and capital leases	-	-	-	-
Receipts from insurance recoveries	-	385	-	-
Acquisition and construction of capital assets	(8)	(56)	-	-
Interest paid on capital debt, installment purchase contracts, and capital leases	-	-	-	-
Principal paid on capital debt, installment purchase contracts, and capital leases	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(8)	2,339	-	6
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	4	-	-
Net Cash Provided by Investing Activities	-	4	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	9,893	490	6,240	(371)
Cash and Cash Equivalents - Beginning	74,193	975	333,561	894
Cash and Cash Equivalents - Ending	$ 84,086	$ 1,465	$ 339,801	$ 523
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (13,762)	$ (14,151)	$ 88,509	$ (91)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	35	10,489	7	52
Miscellaneous income (expense)	(14,709)	-	(14,403)	-
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	39	(41)	4,037	-
Decrease in due from U.S. Government	-	-	3,600	-
Decrease in due from other Funds	5	-	1	-
Decrease in inventories, at cost	-	442	-	-
(Increase) decrease in other assets	240	-	(10,053)	-
(Increase) in deferred pension outflows of resources	(1,242)	(951)	(300)	(128)
Increase (decrease) in accounts payable	3,179	751	(11,029)	(226)
Increase (decrease) in accrued liabilities	57	62	8	-
Increase (decrease) in due to other Funds	7,793	-	(7)	-
Increase in accrued insurance losses	28,060	-	-	-
Increase in unearned revenue	-	32	-	-
(Decrease) in net pension liability	(537)	(883)	(470)	(117)
Increase (decrease) in other liabilities	2	(54)	(10)	(8)
Increase in deferred pension inflows of resources	2,516	2,451	520	182
Net Cash Provided (Used) by Operating Activities	$ 11,676	$ (1,853)	$ 60,410	$ (336)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets through capital leases	$ -	$ -	$ -	$ -
Contribution of capital assets from other Funds	-	10,927	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ 10,927	$ -	$ -

AUTOMATION OPERATIONS	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 29,960	$ 13,668	$ 8,911	$ 1,032,563
(14,223)	(4)	(6,258)	(872,990)
(7,855)	(68)	(702)	(37,173)
-	(12,194)	-	(12,194)
-	-	608	646
-	-	-	(29,112)
7,882	1,402	2,559	81,740
(9,696)	-	(2)	(65,684)
(9,696)	-	(2)	(65,684)
371	-	582	2,969
3,211	-	2,300	5,511
-	-	-	385
(4,413)	-	(3,164)	(7,641)
-	-	(37)	(37)
-	-	(444)	(444)
(831)	-	(763)	743
-	-	-	4
-	-	-	4
(2,645)	1,402	1,794	16,803
14,048	2,803	612	427,086
$ 11,403	$ 4,205	$ 2,406	$ 443,889
$ 6,388	$ (388)	$ (610)	$ 65,895
1,812	-	2,297	14,692
-	-	620	(28,492)
42	-	(117)	3,960
-	-	-	3,600
282	-	366	654
-	-	16	458
(612)	-	(1)	(10,426)
(1,039)	-	(101)	(3,761)
(1,269)	-	(89)	(8,683)
(1)	-	2	128
-	-	-	7,786
-	-	-	28,060
876	-	-	908
(271)	-	-	(2,278)
(5)	1,790	1	1,716
1,679	-	175	7,523
$ 7,882	$ 1,402	$ 2,559	$ 81,740
$ 3,211	$ -	$ 2,300	$ 5,511
11	-	405	11,343
$ 3,222	$ -	$ 2,705	$ 16,854


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

The Administrative Office of the Courts Probation Officers (AOC) is a cost-sharing, multiple-employer pension plan within CORP that benefits county probation officers.

Other Employee Benefit Trust Funds account for health insurance premium subsidies paid by the ASRS, PSPRS, EORP, CORP, and AOC, as well as long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The ASRS Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The ASRS Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

The PSPRS Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The EORP Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The CORP Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The AOC Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2015
(Expressed in Thousands)

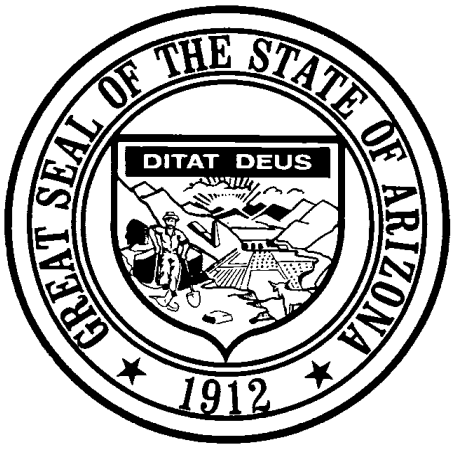
	PENSION TRUST FUNDS				
	ASRS	PSPRS	EORP	CORP	AOC
ASSETS					
Cash	$ 8,646	$ 286,022	$ 14,883	$ 58,055	$ 16,097
Receivables, net of allowances:					
Accrued interest and dividends	54,426	5,614	285	1,122	311
Securities sold	115,599	12,937	657	2,585	715
Forward contracts receivable	14,303	-	-	-	-
Contributions	64,896	20,192	646	1,158	866
Court fees	-	-	685	-	-
Due from other Funds	2,753	-	-	-	-
Other	451	7,734	1,032	82	23
Total receivables	252,428	46,477	3,305	4,947	1,915
Investments, at fair value:					
Temporary investments	1,292,130	-	-	-	-
Fixed income securities	7,368,913	458,751	23,302	91,668	25,370
Corporate stocks	20,552,820	1,760,595	89,427	351,804	97,364
Global tactical asset allocation	1,524,346	588,714	29,903	117,638	32,557
Real assets	-	482,784	24,522	96,470	26,699
Real estate	2,272,272	600,256	30,489	119,944	33,195
Private equity	-	868,628	44,121	173,570	48,037
Opportunistic investments	-	530,832	26,963	106,072	29,356
Collateral investment pool	301,892	248,113	12,603	49,478	13,821
Other investments	458,998	472,269	23,988	94,371	26,116
Total investments	33,771,371	6,010,942	305,318	1,201,015	332,515
Property and equipment, net of accumulated depreciation	-	3,387	230	478	132
Total Assets	34,032,445	6,346,828	323,736	1,264,495	350,659
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	549	28	111	32
LIABILITIES					
Accounts payable and other current liabilities	30,981	1,316	1,360	5,025	1,421
Payable for securities purchased	33,625	16,869	857	3,371	933
Obligation under securities loan agreements	301,892	248,113	12,603	49,578	13,721
Forward contracts payable	7,170	-	-	-	-
Due to other Funds	13,131	-	-	-	-
Net pension liability	-	4,448	231	899	257
Total Liabilities	386,799	270,746	15,051	58,873	16,332
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	862	45	174	50
NET POSITION					
Restricted for:					
Pension benefits	33,645,646	6,075,769	308,668	1,205,559	334,309
Other post-employment benefits	-	-	-	-	-
Total Net Position	$ 33,645,646	$ 6,075,769	$ 308,668	$ 1,205,559	$ 334,309

OTHER EMPLOYEE BENEFIT TRUST FUNDS						
ASRS HEALTH BENEFIT SUPPLEMENT FUND	ASRS LONG-TERM DISABILITY FUND	PSPRS HEALTH BENEFIT SUPPLEMENT FUND	EORP HEALTH BENEFIT SUPPLEMENT FUND	CORP HEALTH BENEFIT SUPPLEMENT FUND	AOC HEALTH BENEFIT SUPPLEMENT FUND	TOTAL
$ 243	$ -	$ 14,417	$ 1,058	$ 4,755	$ 354	$ 404,530
2,374	-	279	21	92	7	64,531
4,846	-	659	48	217	16	138,279
619	-	-	-	-	-	14,922
1,075	436	727	-	56	47	90,099
-	2,751	-	-	-	-	3,436
7,627	-	-	-	-	-	10,380
31,510	4,620	7	-	2	-	45,461
48,051	7,807	1,672	69	367	70	367,108
124,018	1,623	-	-	-	-	1,417,771
323,196	50,603	23,360	1,714	7,704	574	8,375,155
895,099	162,390	89,651	6,579	29,568	2,204	24,037,501
63,727	-	29,978	2,200	9,887	737	2,399,687
-	-	24,584	1,804	8,108	604	665,575
101,930	19,511	30,566	2,243	10,081	751	3,221,238
-	-	44,231	3,246	14,588	1,087	1,197,508
-	-	27,030	1,984	8,915	664	731,816
12,838	-	12,634	927	4,167	311	656,784
20,043	5,584	24,048	1,764	7,931	593	1,135,705
1,540,851	239,711	306,082	22,461	100,949	7,525	43,838,740
-	-	-	-	-	-	4,227
1,589,145	247,518	322,171	23,588	106,071	7,949	44,614,605
-	-	-	-	-	-	720
1,303	245	-	-	-	-	41,651
1,394	-	859	63	283	21	58,275
12,838	-	12,634	927	4,167	311	656,784
315	-	-	-	-	-	7,485
-	-	-	-	-	-	13,131
-	-	-	-	-	-	5,835
15,850	245	13,493	990	4,450	332	783,161
-	-	-	-	-	-	1,131
-	-	-	-	-	-	41,569,951
1,573,295	247,273	308,678	22,598	101,621	7,617	2,261,082
$ 1,573,295	$ 247,273	$ 308,678	$ 22,598	$ 101,621	$ 7,617	$ 43,831,033

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	PENSION TRUST FUNDS				
	ASRS	PSPRS	EORP	CORP	AOC
ADDITIONS:					
Member contributions	$ 1,031,954	$ 154,359	$ 8,472	$ 42,817	$ 9,303
Employer contributions	1,004,747	448,098	15,431	66,017	16,561
Non-employer entity contributions	-	-	5,000	-	-
Member purchase of service credit	19,673	10,433	642	479	311
Court fees	-	-	8,286	-	-
Investment income:					
Net increase in fair value of investments	524,148	178,078	9,064	35,737	9,747
Interest income	150,759	3,945	203	788	215
Dividends	298,127	39,658	2,035	7,931	2,163
Other investment income	22,794	89,759	4,624	17,893	4,879
Securities lending income	7,091	2,085	107	417	114
Total investment income	1,002,919	313,525	16,033	62,766	17,118
Less investment expenses:					
Investment activity expenses	152,846	96,928	4,943	19,423	5,297
Securities lending expenses	913	312	16	62	17
Net investment income	849,160	216,285	11,074	43,281	11,804
Other additions	1,029	365	633	24	155
Total Additions	2,906,563	829,540	49,538	152,618	38,134
DEDUCTIONS:					
Retirement, disability, and survivor benefits	2,671,496	665,138	54,453	97,252	19,131
Health insurance subsidy	-	-	-	-	-
Refunds to withdrawing members, including interest	255,606	13,898	173	26,757	1,632
Administrative expense	26,400	5,387	298	1,086	293
Other deductions	1,120	23	-	704	19
Total Deductions	2,954,622	684,446	54,924	125,799	21,075
Change in net position restricted for:					
Pension benefits	(48,059)	145,094	(5,386)	26,819	17,059
Other post-employment benefits	-	-	-	-	-
Net Position - Beginning, as restated	33,693,705	5,930,675	314,054	1,178,740	317,250
Net Position - Ending	$ 33,645,646	$ 6,075,769	$ 308,668	$ 1,205,559	$ 334,309

OTHER EMPLOYEE BENEFIT TRUST FUNDS							
ASRS HEALTH BENEFIT SUPPLEMENT FUND	ASRS LONG-TERM DISABILITY FUND	PSPRS HEALTH BENEFIT SUPPLEMENT FUND	EORP HEALTH BENEFIT SUPPLEMENT FUND	CORP HEALTH BENEFIT SUPPLEMENT FUND	AOC HEALTH BENEFIT SUPPLEMENT FUND	TOTAL
$ -	$ 10,725	$ -	$ -	$ -	$ -	$ 1,257,630
53,586	10,899	21,481	-	6,209	1,378	1,644,407
-	-	-	-	-	-	5,000
-	-	-	-	-	-	31,538
-	-	-	-	-	-	8,286
25,229	3,991	8,901	658	2,942	207	798,702
6,433	-	197	15	65	5	162,625
12,665	-	1,982	148	653	46	365,408
972	-	4,486	335	1,473	104	147,319
302	-	104	8	34	2	10,264
45,601	3,991	15,670	1,164	5,167	364	1,484,318
6,540	269	4,845	359	1,599	113	293,162
39	-	15	1	5	-	1,380
39,022	3,722	10,810	804	3,563	251	1,189,776
31,507	-	-	-	-	-	33,713
124,115	25,346	32,291	804	9,772	1,629	4,170,350
105,913	61,045	-	-	-	-	3,674,428
-	-	14,242	957	3,074	318	18,591
-	-	-	-	-	-	298,066
1,149	2,287	268	22	89	6	37,285
-	257	-	-	-	-	2,123
107,062	63,589	14,510	979	3,163	324	4,030,493
-	-	-	-	-	-	135,527
17,053	(38,243)	17,781	(175)	6,609	1,305	4,330
1,556,242	285,516	290,897	22,773	95,012	6,312	43,691,176
$ 1,573,295	$ 247,273	$ 308,678	$ 22,598	$ 101,621	$ 7,617	$ 43,831,033


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State Treasurer in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt, money market mutual funds, and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool – Medium-Term is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool – FF&C is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Local Government Investment Pool – Medium-Term FF&C is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Lehman Brothers Pool is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
JUNE 30, 2015
(Expressed in Thousands)

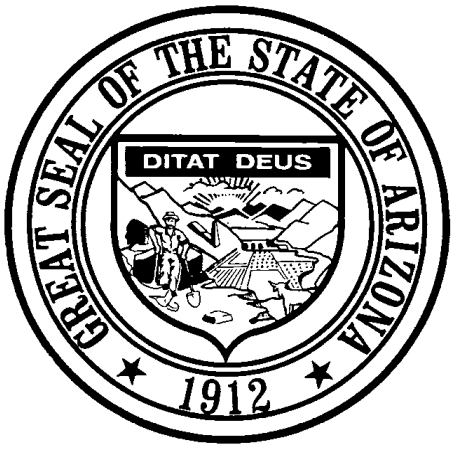
	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL - FF&C	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM FF&C
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ 573	$ -	$ 40	$ -
Receivables, net of allowances:					
Accrued interest and dividends	884	168	602	1,112	407
Investments, at fair value:					
Fixed income securities	309,553	1,052,828	252,573	1,061,893	134,065
Collateral investment pool	5,041	101	14,344	-	-
Total investments	314,594	1,052,929	266,917	1,061,893	134,065
Total Assets	315,478	1,053,670	267,519	1,063,045	134,472
LIABILITIES					
Management fee payable	14	60	11	50	6
Obligations under securities loan agreements	5,041	101	14,344	-	-
Total Liabilities	5,055	161	14,355	50	6
NET POSITION					
Held in trust for pool participants	$ 310,423	$ 1,053,509	$ 253,164	$ 1,062,995	$ 134,466
Net position consist of:					
Participant shares outstanding	308,970	1,053,509	245,219	1,062,995	133,390
Participants' net position value (net position/shares outstanding)	$ 1.00	$ 1.00	$ 1.03	$ 1.00	$ 1.01

LEHMAN BROTHERS POOL	TOTAL
$ -	$ 613
-	3,173
2,237	2,813,149
-	19,486
2,237	2,832,635
2,237	2,836,421
-	141
-	19,486
-	19,627
$ 2,237	$ 2,816,794
21,180	2,825,263
$ 0.11	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL - FF&C	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM FF&C
ADDITIONS:					
Investment income:					
Net increase (decrease) in fair value of investments	$ (1,369)	$ 3	$ (754)	$ 45	$ (488)
Interest income	5,097	1,993	3,388	1,216	1,903
Securities lending income	21	1	26	3	-
Total investment income	3,749	1,997	2,660	1,264	1,415
Less:					
Investment activity expenses	167	655	143	523	76
Securities lending expenses	15	1	21	2	-
Net investment income	3,567	1,341	2,496	739	1,339
Capital share and individual account transactions:					
Shares sold	26,321	2,478,513	17,581	1,624,868	7,895
Reinvested interest income	5,011	1,331	2,695	706	1,200
Shares redeemed	(23,114)	(2,509,229)	(21,921)	(1,499,755)	(39,835)
Transfers in (out)	-	2,555	-	-	-
Net capital share and individual account transactions	8,218	(26,830)	(1,645)	125,819	(30,740)
Total Additions	11,785	(25,489)	851	126,558	(29,401)
DEDUCTIONS:					
Dividends to investors	3,567	1,341	2,496	739	1,339
Total Deductions	3,567	1,341	2,496	739	1,339
Change in net position held in trust for pool participants	8,218	(26,830)	(1,645)	125,819	(30,740)
Net Position - Beginning	302,205	1,080,339	254,809	937,176	165,206
Net Position - Ending	$ 310,423	$ 1,053,509	$ 253,164	$ 1,062,995	$ 134,466

LEHMAN BROTHERS POOL	TOTAL
$ 317	$ (2,246)
-	13,597
-	51
317	11,402
-	1,564
-	39
317	9,799
-	4,155,178
-	10,943
-	(4,093,854)
(2,555)	-
(2,555)	72,267
(2,238)	82,066
-	9,482
-	9,482
(2,238)	72,584
4,475	2,744,210
$ 2,237	$ 2,816,794


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

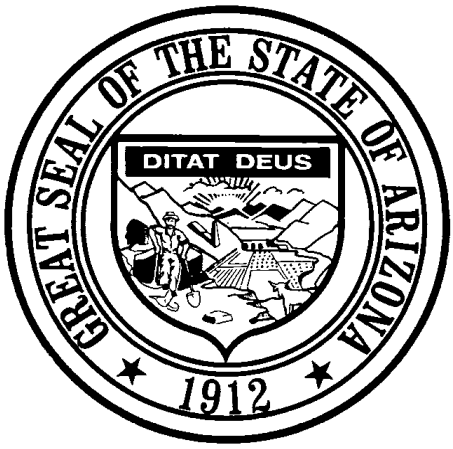
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

The Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	$ -	$ -	$ 19,143	$ 19,143
Cash and pooled investments with State Treasurer	-	15,628	90,316	105,944
Collateral investment pool	-	-	1,572	1,572
Short-term investments	-	-	6,258	6,258
Receivables, net of allowances:				
Accrued interest	-	5	38	43
Due from others	-	-	83,132	83,132
Custodial securities in safekeeping	3,965,606	-	5,993	3,971,599
Other assets	-	-	1,649	1,649
Total Assets	$ 3,965,606	$ 15,633	$ 208,101	$ 4,189,340
LIABILITIES				
Obligation under securities loan agreements	$ -	$ -	$ 1,572	$ 1,572
Due to local governments	-	4,221	11,221	15,442
Due to others	3,965,606	11,412	195,308	4,172,326
Total Liabilities	$ 3,965,606	$ 15,633	$ 208,101	$ 4,189,340

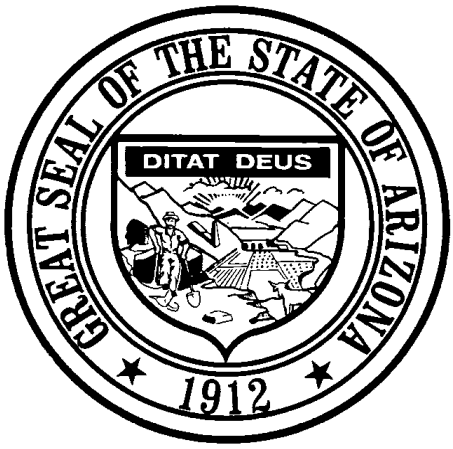
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 2014	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2015
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	$ 3,805,147	$ 1,009,328	$ 848,869	$ 3,965,606
Total Assets	$ 3,805,147	$ 1,009,328	$ 848,869	$ 3,965,606
Liabilities:				
Due to others	$ 3,805,147	$ 1,009,328	$ 848,869	$ 3,965,606
Total Liabilities	$ 3,805,147	$ 1,009,328	$ 848,869	$ 3,965,606
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	$ 11,685	$ 92,631	$ 88,688	$ 15,628
Receivables, net of allowances:				
Accrued interest	-	5	-	5
Total Assets	$ 11,685	$ 92,636	$ 88,688	$ 15,633
Liabilities:				
Due to local governments	$ 48	$ 83,686	$ 79,513	$ 4,221
Due to others	11,637	19,252	19,477	11,412
Total Liabilities	$ 11,685	$ 102,938	$ 98,990	$ 15,633
OTHER FUNDS				
Assets:				
Cash	$ 22,851	$ 759,699	$ 763,407	$ 19,143
Cash and pooled investments with State Treasurer	58,195	265,338	233,217	90,316
Collateral investment pool	-	1,572	-	1,572
Short-term investments	8,236	6,258	8,236	6,258
Receivables, net of allowances:				
Accrued interest	1	37	-	38
Other	2	-	2	-
Due from others	82,589	83,132	82,589	83,132
Custodial securities in safekeeping	5,697	5,993	5,697	5,993
Other assets	1,658	1,649	1,658	1,649
Total Assets	$ 179,229	$ 1,123,678	$ 1,094,806	$ 208,101
Liabilities:				
Obligation under securities loan agreements	$ -	$ 1,572	$ -	$ 1,572
Due to local governments	964	81,225	70,968	11,221
Due to others	178,265	1,050,480	1,033,437	195,308
Total Liabilities	$ 179,229	$ 1,133,277	$ 1,104,405	$ 208,101

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 2014	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2015
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash	$ 22,851	$ 759,699	$ 763,407	$ 19,143
Cash and pooled investments with State Treasurer	69,880	357,969	321,905	105,944
Collateral investment pool	-	1,572	-	1,572
Short-term investments	8,236	6,258	8,236	6,258
Receivables, net of allowances:				
Accrued interest	1	42	-	43
Other	2	-	2	-
Due from others	82,589	83,132	82,589	83,132
Custodial securities in safekeeping	3,810,844	1,015,321	854,566	3,971,599
Other assets	1,658	1,649	1,658	1,649
Total Assets	$ 3,996,061	$ 2,225,642	$ 2,032,363	$ 4,189,340
Liabilities:				
Obligation under securities loan agreements	$ -	$ 1,572	$ -	$ 1,572
Due to local governments	1,012	164,911	150,481	15,442
Due to others	3,995,049	2,079,060	1,901,783	4,172,326
Total Liabilities	$ 3,996,061	$ 2,245,543	$ 2,052,264	$ 4,189,340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DITAT DEUS
1912

NON-MAJOR
COMPONENT UNITS

Component units are legally separate entities for which the State is considered to be financially accountable. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

The Arizona Power Authority purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws.

The Rio Nuevo Multipurpose Facilities District (Rio Nuevo) utilizes tax incremental financing to help develop multipurpose facilities in the downtown Tucson area.

The Greater Arizona Development Authority provides cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects.

The Arizona Commerce Authority is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State's economic development objectives.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2015
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	ARIZONA COMMERCE AUTHORITY	TOTAL
ASSETS					
Current Assets:					
Cash	$ -	$ 8,115	$ -	$ 14,750	$ 22,865
Cash and pooled investments with State Treasurer	5,828	-	1,320	147,727	154,875
Collateral investment pool	-	-	-	3,571	3,571
Restricted investments held by trustee	5,203	-	-	-	5,203
Receivables, net of allowances:					
Taxes	-	3,597	-	-	3,597
Interest	-	-	6	-	6
Loans and notes	-	-	-	4,148	4,148
Other	3,424	1,332	-	2,349	7,105
Other current assets	402	1,082	-	200	1,684
Total Current Assets	14,857	14,126	1,326	172,745	203,054
Noncurrent Assets:					
Restricted assets:					
Cash and pooled investments with State Treasurer	-	-	11,965	-	11,965
Cash held by trustee	-	16,849	-	-	16,849
Investments held by trustee	7,758	-	-	-	7,758
Loans and notes receivable, net of allowances	-	16,337	-	7,432	23,769
Other noncurrent assets	599	-	-	7	606
Capital assets:					
Land and other non-depreciable	-	7,321	-	-	7,321
Buildings, equipment, and other depreciable, net of accumulated depreciation	79	30,976	-	703	31,758
Total Noncurrent Assets	8,436	71,483	11,965	8,142	100,026
Total Assets	23,293	85,609	13,291	180,887	303,080
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	105	-	-	-	105
Future benefits and advances	27,491	-	-	-	27,491
Total Deferred Outflows of Resources	27,596	-	-	-	27,596
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	2,661	7,102	-	1,137	10,900
Accrued liabilities	532	28	5	-	565
Obligations under securities loan agreements	-	-	-	3,571	3,571
Current portion of long-term debt	5,615	5,075	-	-	10,690
Total Current Liabilities	8,808	12,205	5	4,708	25,726
Noncurrent Liabilities:					
Net pension liability	902	-	-	-	902
Long-term debt	38,740	67,627	-	-	106,367
Total Noncurrent Liabilities	39,642	67,627	-	-	107,269
Total Liabilities	48,450	79,832	5	4,708	132,995
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	345	-	-	-	345
NET POSITION					
Net investment in capital assets	79	34,911	-	703	35,693
Restricted for:					
Debt service	12,962	9,888	11,965	-	34,815
Loans and other financial assistance	-	-	-	75,924	75,924
Other	-	-	-	31,048	31,048
Unrestricted	(10,947)	(39,022)	1,321	68,504	19,856
Total Net Position	$ 2,094	$ 5,777	$ 13,286	$ 176,179	$ 197,336

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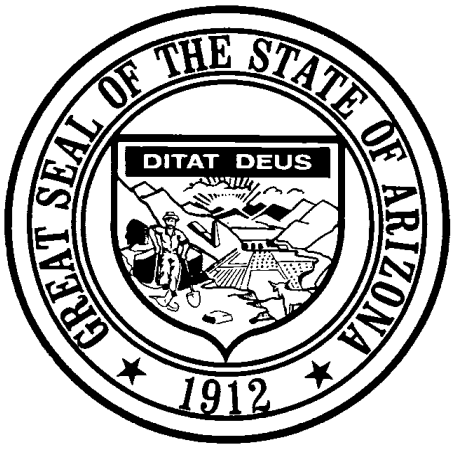
STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Arizona Power Authority	$ 29,872	$ 28,542	$ -
Rio Nuevo	7,540	1,394	-
Greater Arizona Development Authority	110	-	-
Arizona Commerce Authority	26,801	1,171	9,219
Total	$ 64,323	$ 31,107	$ 9,219

General Revenues:
Taxes:
Sales
Other
Unrestricted investment earnings
Unrestricted grants and contributions
Payments from State of Arizona
Miscellaneous
Change in Net Position
Net Position - Beginning, as restated
Net Position - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	ARIZONA COMMERCE AUTHORITY	TOTAL
$ (1,330)	$ -	$ -	$ -	$ (1,330)
-	(6,146)	-	-	(6,146)
-	-	(110)	-	(110)
-	-	-	(16,411)	(16,411)
-	9,768	-	-	9,768
-	-	-	13,869	13,869
6	27	114	1,083	1,230
-	-	-	58	58
-	-	-	37,164	37,164
-	-	3	-	3
(1,324)	3,649	7	35,763	38,095
3,418	2,128	13,279	140,416	159,241
$ 2,094	$ 5,777	$ 13,286	$ 176,179	$ 197,336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NON-MAJOR
UNIVERSITIES – AFFILIATED COMPONENT UNITS

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of Downtown Phoenix Student Housing, LLC, the ASU Preparatory Academy, Inc. (ASU Prep), and Campus Research Corporation (CRC). The Downtown Phoenix Student Housing, LLC is included due to the nature and significance of the financial arrangement that it has with the State and that the State believes would be misleading to exclude. The ASU Prep is included because of its close affiliation to the State and that the State believes it would be misleading to exclude. The CRC is included because the U of A approves the budget and can access its resources.

The Northern Arizona University Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission. The NAREH is a wholly owned subsidiary of the NAU Foundation and was established to construct, develop, equip, operate, maintain, lease, and hold real estate investments on behalf of the NAU Foundation. The NAUV is a wholly owned subsidiary of the NAU Foundation and was established to license, or otherwise commercialize the intellectual property owned or controlled by the Arizona Board of Regents, the NAU, or the NAU Foundation.

Sun Angel Foundation receives funds primarily through donations, and contributes funds to the ASU for support of various athletic programs.

Sun Angel Endowment receives funds primarily through donations, with the annual earnings being used for support of various athletic programs at the ASU.

Thunderbird School of Global Management offers non-degree programs focused on global business across cultural, ethical, and multi-lingual curriculum.

Arizona State University Research Park, Inc. manages a research park to promote and support research activities in coordination with the ASU.

The Arizona State University Alumni Association receives funds primarily through donations, dues, and affinity partners and contributes funds to the ASU for support of various programs.

Downtown Phoenix Student Housing, LLC provides facilities for use by students of the ASU.

The Arizona State University Preparatory Academy, Inc. prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally, and contribute to their communities.

The University of Arizona Law College Association (Law Association) was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

The University of Arizona Campus Research Corporation was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

The University of Arizona Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

The University of Arizona Eller Executive Education was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2015
(Expressed in Thousands)

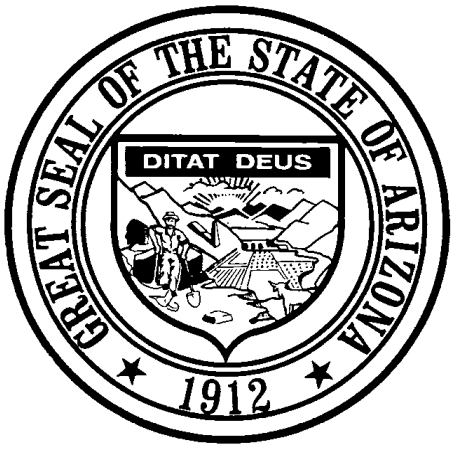
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	THUNDERBIRD SCHOOL OF GLOBAL MANAGEMENT	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
ASSETS						
Cash and cash equivalent investments	$ 3,189	$ 4,297	$ 211	$ 4,018	$ 2,481	$ 43
Receivables:						
Pledges receivable	6,262	29,527	-	-	-	41
Other receivables	106	284	-	8,558	21,838	227
Total receivables	6,368	29,811	-	8,558	21,838	268
Investments:						
Investments in securities	137,512	-	7,471	22,710	1,180	16,414
Other investments	13,137	-	704	-	-	-
Total investments	150,649	-	8,175	22,710	1,180	16,414
Net direct financing leases	6,426	-	-	-	-	-
Property and equipment, net of accumulated depreciation	-	12	-	28,123	4,850	-
Other assets	500	186	32	1,602	2,455	76
Total Assets	167,132	34,306	8,418	65,011	32,804	16,801
LIABILITIES						
Accounts payable and accrued liabilities	166	509	3	3,430	169	175
Liability under endowment trust agreements	28,704	-	-	-	-	-
Long-term debt	-	-	-	-	6,120	-
Deferred revenue	5,439	9	-	1,486	13,074	30
Other liabilities	3,290	-	3,000	5,373	2,209	18
Total Liabilities	37,599	518	3,003	10,289	21,572	223
NET ASSETS						
Permanently restricted	66,749	-	1,842	-	-	-
Temporarily restricted	51,942	32,975	889	21	-	291
Unrestricted (deficit)	10,842	813	2,684	54,701	11,232	16,287
Total Net Assets	$ 129,533	$ 33,788	$ 5,415	$ 54,722	$ 11,232	$ 16,578

DOWNTOWN PHOENIX STUDENT HOUSING	ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
$ 1,384	$ 4,499	$ 751	$ 5,035	$ 1,476	$ 277	$ 27,661
-	200	340	-	107	-	36,477
52	722	-	878	3,077	30	35,772
52	922	340	878	3,184	30	72,249
14,255	-	11,575	-	7,040	-	218,157
-	-	178	-	-	-	14,019
14,255	-	11,753	-	7,040	-	232,176
-	-	-	-	-	-	6,426
93,870	150	-	20,388	58	-	147,451
5,562	40	7	4,540	62	-	15,062
115,123	5,611	12,851	30,841	11,820	307	501,025
17,797	1,304	185	2,073	173	4	25,988
-	-	-	-	-	-	28,704
139,217	94	-	5,257	22	-	150,710
11	358	-	3,181	4,720	2	28,310
797	171	-	623	-	-	15,481
157,822	1,927	185	11,134	4,915	6	249,193
-	-	4,763	-	-	-	73,354
-	1,342	3,377	-	-	82	90,919
(42,699)	2,342	4,526	19,707	6,905	219	87,559
$ (42,699)	$ 3,684	$ 12,666	$ 19,707	$ 6,905	$ 301	$ 251,832

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	THUNDERBIRD SCHOOL OF GLOBAL MANAGEMENT	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
REVENUES						
Contributions	$ 13,358	$ 39,872	$ -	$ 526	$ -	$ 2,654
Rental revenue	-	-	-	-	9,594	-
Sales and services	-	534	-	44,883	-	2,280
Net investment income	3,237	8	91	(210)	5	175
Grants and aid	-	-	-	-	-	-
Other revenues	2,193	128	1	347	67	193
Total Revenues	18,788	40,542	92	45,546	9,666	5,302
EXPENSES						
Program services:						
Payments to Universities	-	11,999	-	-	2,709	-
Leasing related expenses	-	-	-	-	-	-
Payments on behalf of Universities	-	-	-	-	-	-
Other program services	9,109	-	-	-	-	-
Management and general expenses	551	1,318	139	45,805	1,123	5,082
Fundraising expenses	3,090	-	-	-	-	-
Interest	-	-	169	-	295	-
Depreciation and amortization	464	-	-	4,164	404	-
Other expenses	-	1,213	-	-	150	329
Total Expenses	13,214	14,530	308	49,969	4,681	5,411
Increase (decrease) in Net Assets, before extraordinary items	5,574	26,012	(216)	(4,423)	4,985	(109)
Extraordinary items (Primarily equity transfers)	-	-	-	24,010	-	-
Increase (decrease) in Net Assets, after extraordinary items	5,574	26,012	(216)	19,587	4,985	(109)
Net Assets - Beginning, as restated	123,959	7,776	5,631	35,135	6,247	16,687
Net Assets - Ending	$ 129,533	$ 33,788	$ 5,415	$ 54,722	$ 11,232	$ 16,578

DOWNTOWN PHOENIX STUDENT HOUSING	ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
$ -	$ 4,068	$ 2,884	$ -	$ 422	$ 15	$ 63,799
10,459	-	-	12,775	-	-	32,828
-	1,356	-	-	1,103	771	50,927
11	-	241	7	203	-	3,768
-	15,616	-	-	-	-	15,616
155	22	90	416	2,734	-	6,346
10,625	21,062	3,215	13,198	4,462	786	173,284
-	-	1,000	-	-	23	15,731
-	-	-	9,679	-	-	9,679
-	-	2,089	-	3,164	571	5,824
-	-	-	-	-	-	9,109
3,025	18,353	-	1,477	751	221	77,845
-	-	-	-	209	-	3,299
7,206	-	-	-	-	-	7,670
4,587	174	-	-	-	-	9,793
830	-	-	1,258	-	-	3,780
15,648	18,527	3,089	12,414	4,124	815	142,730
(5,023)	2,535	126	784	338	(29)	30,554
-	-	-	-	-	-	24,010
(5,023)	2,535	126	784	338	(29)	54,564
(37,676)	1,149	12,540	18,923	6,567	330	197,268
$ (42,699)	$ 3,684	$ 12,666	$ 19,707	$ 6,905	$ 301	$ 251,832


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends – ***Schedules 1 thru 4*** contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity – *Schedules 5 thru 9* contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

Debt Capacity – *Schedules 10 thru 22* present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information – *Schedules 23 and 24* offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and among other governments.

Operating Information – *Schedules 25 thru 27* contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ARIZONA
SCHEDULE 1
NET POSITION BY COMPONENT (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year				
	2015	2014, as restated	2013, as restated	2012, as restated	2011
GOVERNMENTAL ACTIVITIES:					
Net investment in capital assets (5)	$ 18,790,871	$ 18,053,540	$ 17,410,055	$ 16,940,512	$ 16,326,569
Restricted (3)	7,170,289	6,829,299	6,116,083	5,447,576	5,125,527
Unrestricted (6)	(5,686,304)	(5,841,106)	(2,527,441)	(3,351,315)	(4,243,824)
Total Governmental Activities Net Position	$ 20,274,856	$ 19,041,733	$ 20,998,697	$ 19,036,773	$ 17,208,272
BUSINESS-TYPE ACTIVITIES:					
Net investment in capital assets (4)	$ 1,661,466	$ 1,581,436	$ 1,526,777	$ 1,483,416	$ 1,397,683
Restricted (7)	895,616	723,590	531,972	496,444	501,437
Unrestricted (2,4,6)	138,712	(51,586)	1,049,391	810,810	695,862
Total Business-type Activities Net Position	$ 2,695,794	$ 2,253,440	$ 3,108,140	$ 2,790,670	$ 2,594,982
PRIMARY GOVERNMENT:					
Net investment in capital assets (4,5)	$ 20,452,337	$ 19,634,976	$ 18,936,832	$ 18,423,928	$ 17,724,252
Restricted (3,7)	8,065,905	7,552,889	6,648,055	5,944,020	5,626,964
Unrestricted (2,4,6)	(5,547,592)	(5,892,692)	(1,478,050)	(2,540,505)	(3,547,962)
Total Primary Government Net Position	$ 22,970,650	$ 21,295,173	$ 24,106,837	$ 21,827,443	$ 19,803,254

(1) This schedule reports using the accrual basis of accounting.
(2) Fiscal year 2012 unrestricted net position was restated as a result of GASB Statement No. 61 in which Northern Arizona Capital Facilities Corporation was reclassified from a discretely presented non-major university component unit to a blended university component unit.
(3) Fiscal year 2012 restricted net position was restated as a result of an agency fund being reclassified to a special revenue fund.
(4) Fiscal year 2013 unrestricted net position for the Universities was restated as a result of GASB Statement No. 65 to expense debt issuance costs.
(5) Fiscal year 2014 net investment in capital assets was restated due to a correction of an error related to the private prisons' capital leases.
(6) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB Statement No. 68.
(7) Fiscal year 2014 restricted net position was restated due to the fund reclassification of the Insurance Department Guaranty Funds.

Fiscal Year					
2010	2009	2008	2007, as restated	2006, as restated
$ 15,738,121	$ 15,094,719	$ 14,530,867	$ 13,500,218	$ 12,878,151
4,648,280	3,990,594	4,987,365	4,734,039	3,560,868
(4,155,346)	(2,984,628)	(1,105,246)	614,606	733,455
$ 16,231,055	$ 16,100,685	$ 18,412,986	$ 18,848,863	$ 17,172,474
$ 1,352,658	$ 1,328,658	$ 1,387,655	$ 1,186,177	$ 1,146,618
550,102	1,085,399	1,581,212	1,575,991	1,400,455
576,426	376,908	188,354	295,377	179,524
$ 2,479,186	$ 2,790,965	$ 3,157,221	$ 3,057,545	$ 2,726,597
$ 17,090,779	$ 16,423,377	$ 15,918,522	$ 14,686,395	$ 14,024,769
5,198,382	5,075,993	6,568,577	6,310,030	4,961,323
(3,578,920)	(2,607,720)	(916,892)	909,983	912,979
$ 18,710,241	$ 18,891,650	$ 21,570,207	$ 21,906,408	$ 19,899,071

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year				
	2015	2014 (10)	2013, as restated	2012, as restated	2011
EXPENSES					
Governmental Activities:					
General government	$ 923,659	$ 763,830	$ 836,431	$ 840,189	$ 929,107
Health and welfare (8)	14,296,714	12,768,332	12,168,426	11,992,408	12,558,119
Inspection and regulation	159,874	160,797	161,480	151,937	149,649
Education	5,859,267	5,573,656	5,372,267	5,331,848	5,467,543
Protection and safety	1,568,732	1,408,049	1,400,413	1,380,999	1,299,205
Transportation (2)	786,028	791,006	754,510	808,967	857,194
Natural resources	204,939	200,868	204,179	213,339	196,210
Intergovernmental revenue sharing	2,966,400	2,778,299	2,685,378	2,473,881	2,462,178
Interest on long-term debt	230,871	279,525	355,975	350,483	341,801
Total Governmental Activities Expenses	26,996,484	24,724,362	23,939,059	23,544,051	24,261,006
Business-type Activities:					
Universities (7)	4,378,481	4,078,053	3,888,145	3,629,568	3,533,977
Unemployment Compensation (5)	-	-	-	1,069,531	1,655,364
Industrial Commission Special Fund (3), (9)	-	36,895	38,614	83,290	27,196
Lottery (5)	-	-	-	496,830	439,069
Other	1,041,261	1,130,299	1,329,816	113,347	115,442
Total Business-type Activities Expenses	5,419,742	5,245,247	5,256,575	5,392,566	5,771,048
Total Primary Government Expenses (8)	$ 32,416,226	$ 29,969,609	$ 29,195,634	$ 28,936,617	$ 30,032,054
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	$ 188,356	$ 188,943	$ 188,462	$ 189,175	$ 191,738
Inspection and regulation	157,624	157,149	156,164	150,557	149,890
Transportation	113,163	113,267	119,862	108,877	114,453
Other activities	664,903	477,564	386,381	398,893	381,633
Operating grants and contributions	13,200,146	12,172,836	11,588,834	11,357,470	12,580,013
Capital grants and contributions	706,089	546,680	651,999	778,572	745,559
Total Governmental Activities Program Revenues	15,030,281	13,656,439	13,091,702	12,983,544	14,163,286
Business-type Activities:					
Charges for services:					
Universities	2,303,791	2,056,307	1,892,356	1,752,509	1,601,077
Lottery (5)	-	-	-	646,675	583,537
Other activities	1,345,566	1,325,046	1,289,456	584,240	560,502
Operating grants and contributions	1,320,612	1,343,922	1,570,854	1,705,773	2,212,673
Capital grants and contributions	43,321	41,250	15,210	53,571	14,799
Total Business-type Activities Program Revenues	5,013,290	4,766,525	4,767,876	4,742,768	4,972,588
Total Primary Government Program Revenues	$ 20,043,571	$ 18,422,964	$ 17,859,578	$ 17,726,312	$ 19,135,874
NET (EXPENSE) REVENUE					
Governmental activities	$ (11,966,203)	$ (11,067,923)	$ (10,847,357)	$ (10,560,507)	$ (10,097,720)
Business-type activities	(406,452)	(478,722)	(488,699)	(649,798)	(798,460)
Total Primary Government Net (Expense)	$ (12,372,655)	$ (11,546,645)	$ (11,336,056)	$ (11,210,305)	$ (10,896,180)

Fiscal Year					
2010	2009	2008	2007, as restated	2006, as restated
$ 941,813	$ 928,485	$ 982,382	$ 802,659	$ 781,542
13,090,357	12,055,439	10,884,297	9,789,699	9,057,733
157,786	176,354	185,996	175,609	159,766
5,706,667	6,084,342	6,242,173	5,984,196	5,304,555
1,451,571	1,514,282	1,510,615	1,401,513	1,279,129
511,397	695,070	670,173	583,304	386,777
183,535	228,430	250,258	193,862	187,947
2,585,683	2,755,710	3,023,836	2,864,543	2,658,636
261,518	222,851	179,795	191,674	172,439
24,890,327	24,660,963	23,929,525	21,987,059	19,988,524
3,343,377	3,290,033	3,227,481	2,960,790	2,762,557
2,103,028	1,086,330	356,333	248,111	226,171
67,750	30,055	14,824	23,669	(18,300)
432,150	395,950	372,740	363,508	377,104
126,029	142,229	162,300	176,486	136,894
6,072,334	4,944,597	4,133,678	3,772,564	3,484,426
$ 30,962,661	$ 29,605,560	$ 28,063,203	$ 25,759,623	$ 23,472,950
$ 208,316	$ 199,011	$ 190,374	$ 200,495	$ 161,664
143,329	153,642	159,857	158,022	146,191
123,372	138,520	149,560	158,019	134,068
402,496	315,660	318,776	281,796	279,836
13,735,263	10,620,642	9,190,910	8,536,030	7,941,223
576,027	553,198	523,898	354,255	388,646
15,188,803	11,980,673	10,533,375	9,688,617	9,051,628
1,432,055	1,272,694	1,167,696	1,069,339	962,967
551,492	484,486	472,937	462,200	468,697
509,254	439,010	485,242	518,922	474,801
2,260,071	1,243,697	898,441	883,373	852,788
12,563	14,710	38,029	27,981	30,056
4,765,435	3,454,597	3,062,345	2,961,815	2,789,309
$ 19,954,238	$ 15,435,270	$ 13,595,720	$ 12,650,432	$ 11,840,937
$ (9,701,524)	$ (12,680,290)	$ (13,396,150)	$ (12,298,442)	$ (10,936,896)
(1,306,899)	(1,490,000)	(1,071,333)	(810,749)	(695,117)
$ (11,008,423)	$ (14,170,290)	$ (14,467,483)	$ (13,109,191)	$ (11,632,013)

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year				
	2015	2014 (10)	2013, as restated	2012, as restated	2011
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Sales	$ 6,290,950	$ 5,948,055	$ 6,518,480	$ 6,296,151	$ 5,942,250
Income	4,430,602	3,963,197	3,974,998	3,706,698	3,366,783
Tobacco	314,522	314,313	316,050	317,369	320,657
Property	52,241	41,215	27,429	30,656	32,038
Motor vehicle and fuel	1,694,779	1,650,579	1,592,911	1,581,909	1,565,525
Other	560,920	547,481	531,186	522,510	550,430
Unrestricted investment earnings (4)	87,115	79,215	18,705	79,190	29,183
Unrestricted grants and contributions	39,847	37,926	45,746	40,678	16,468
Miscellaneous general revenues (6)	232,658	176,035	144,403	265,214	140,854
Gain (loss) on sale of trust land	97,231	83,695	174,095	125,479	(154,359)
Transfers	(601,539)	(578,361)	(534,722)	(576,846)	(734,892)
Total Governmental Activities	13,199,326	12,263,350	12,809,281	12,389,008	11,074,937
Business-type Activities:					
Sales taxes	64,757	63,669	57,490	55,309	52,913
Unrestricted investment earnings	37,839	108,296	62,017	49,501	68,401
Unrestricted grants and contributions	-	107	5	3,468	-
Miscellaneous general revenues	138,931	78,837	148,743	155,757	50,510
Contributions to permanent endowments	5,740	6,561	3,192	3,270	3,656
Special items	-	-	-	-	-
Extraordinary items	-	3,900	-	-	3,884
Transfers	601,539	578,361	534,722	576,846	734,892
Total Business-type Activities	848,806	839,731	806,169	844,151	914,256
Total Primary Government	$ 14,048,132	$ 13,103,081	$ 13,615,450	$ 13,233,159	$ 11,989,193
CHANGE IN NET POSITION					
Governmental activities	$ 1,233,123	$ 1,195,427	$ 1,961,924	$ 1,828,501	$ 977,217
Business-type activities	442,354	361,009	317,470	194,353	115,796
Total Primary Government	$ 1,675,477	$ 1,556,436	$ 2,279,394	$ 2,022,854	$ 1,093,013

(1) This schedule reports using the accrual basis of accounting.
(2) For fiscal year 2006, net position for governmental activities were increased by the capitalization of $302,375 of capital assets that were previously recorded as transportation expenses.
(3) The Industrial Commission Special Fund's cost of sales and benefits expense decreased $125,828 during fiscal year 2006, primarily due to a decrease in insolvent carrier liabilities.
(4) Fiscal year 2007 unrestricted investment earnings were reduced by $17,771 due to reclassifying the Greater Arizona Development Authority from the primary government to a component unit.
(5) For fiscal year 2013, Unemployment Compensation and Lottery changed from major to non-major funds.
(6) Fiscal year 2012 miscellaneous general revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
(7) Fiscal year 2013 expenses for the Universities were restated as a result of GASB Statement No. 65 to expense debt issuance costs.
(8) For fiscal year 2015, Health and Welfare expenses continue to climb as a result of enrollment increases.
(9) For fiscal year 2015, Industrial Commission Special Fund changed from a major to a non-major fund.
(10) Historical data has not been restated for footnote items (5) - (7) in Schedule 1.

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006, as restated
$	5,029,050	$ 5,442,563	$ 6,270,419	$ 6,537,584	$ 6,322,311
	2,809,995	3,126,076	4,205,426	4,636,447	4,548,843
	332,893	370,073	413,333	358,205	248,122
	31,417	32,564	36,732	43,736	43,035
	1,583,790	1,643,276	1,800,920	1,826,893	1,857,293
	535,435	574,030	559,440	529,629	575,946
	37,665	92,957	243,160	243,328	172,311
	13,213	12,440	13,574	11,711	12,293
	204,295	222,712	214,751	212,253	235,610
	64,005	(165,696)	196,953	451,501	567,364
	(809,864)	(983,006)	(994,435)	(876,456)	(774,492)
	9,831,894	10,367,989	12,960,273	13,974,831	13,808,636
	52,318	58,528	72,945	79,223	54,550
	70,766	22,450	39,763	103,362	49,050
	-	-	-	-	-
	52,072	45,786	64,564	77,841	58,816
	3,020	4,014	3,927	4,815	3,803
	-	7,240	(20,100)	-	(7,874)
	7,080	2,720	15,475	-	-
	809,864	983,006	994,435	876,456	774,492
	995,120	1,123,744	1,171,009	1,141,697	932,837
$	10,827,014	$ 11,491,733	$ 14,131,282	$ 15,116,528	$ 14,741,473
$	130,370	$ (2,312,301)	$ (435,877)	$ 1,676,389	$ 2,871,740
	(311,779)	(366,256)	99,676	330,948	237,720
$	(181,409)	$ (2,678,557)	$ (336,201)	$ 2,007,337	$ 3,109,460

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year				
	2015	2014	2013	2012, as restated	2011
GENERAL FUND:					
Reserved for:					
Budget stabilization fund	$ -	$ -	$ -	$ -	$ -
School facilities improvements	-	-	-	-	-
Continuing appropriations	-	-	-	-	-
Other fund balance reservations	-	-	-	-	-
Unreserved	-	-	-	-	-
Nonspendable (2)	9,168	9,600	844	891	716
Restricted (2)	241,919	124,390	192,187	246,977	317,471
Committed (2)	99,145	79,837	73,237	109,469	141,183
Unassigned (2)	(306,751)	(189,238)	156,935	(437,035)	(1,162,531)
Total General Fund	$ 43,481	$ 24,589	$ 423,203	$ (79,698)	$ (703,161)
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved for:					
Highway construction	$ -	$ -	$ -	$ -	$ -
Other construction	-	-	-	-	-
School facilities improvements	-	-	-	-	-
Permanent funds	-	-	-	-	-
Continuing appropriations	-	-	-	-	-
Debt service	-	-	-	-	-
Other fund balance reservations	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable (2)	5,181,556	4,878,682	4,160,485	3,472,005	3,244,080
Restricted (2,3)	1,573,453	1,741,674	1,860,872	1,762,356	1,531,992
Committed (2)	825,740	734,446	661,110	514,085	452,447
Unassigned (2)	(29,961)	(29,744)	(26,266)	(33,861)	(39,009)
Total All Other Governmental Funds	$ 7,550,788	$ 7,325,058	$ 6,656,201	$ 5,714,585	$ 5,189,510

(1) This schedule reports using the modified accrual basis of accounting.

(2) Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Additionally, as a result of the reclassification, fund balance for fiscal year 2010 was restated.

(3) Fiscal year 2012 restricted fund balance was restated as a result of an agency fund being reclassified to a special revenue fund.

Fiscal Year				
2010, as restated (2)	2009	2008	2007, as restated	2006
$ -	$ 2,767	$ 147,212	$ 673,531	$ 651,020
14,764	376,993	1,914	4,931	110,149
55,354	43,091	103,320	162,657	69,861
232	252	262	272	302
(817,348)	(1,401,381)	108,914	1,081,708	1,434,806
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ (746,998)	$ (978,278)	$ 361,622	$ 1,923,099	$ 2,266,138
$ 809,497	$ 1,304,781	$ 1,253,202	$ 976,488	$ 426,015
45,403	108,129	238,985	5,288	6,256
-	-	-	-	-
2,674,953	2,196,040	2,544,365	2,454,564	2,043,591
116,350	212,553	143,785	94,602	118,671
26,389	27,115	35,236	34,421	37,792
40,327	7,447	27,132	17,702	5,145
821,491	767,258	919,679	793,890	657,371
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 4,534,410	$ 4,623,323	$ 5,162,384	$ 4,376,955	$ 3,294,841

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year				
	2015	2014	2013	2012, as restated	2011
REVENUES					
Taxes:					
Sales	$ 6,281,286	$ 5,933,824	$ 6,530,609	$ 6,312,870	$ 5,971,141
Income	4,398,928	4,012,603	4,034,631	3,715,082	3,398,972
Tobacco (2)	314,522	314,313	316,050	317,369	320,657
Property	52,241	41,215	27,429	30,656	32,038
Motor vehicle and fuel	1,694,779	1,650,579	1,592,911	1,581,909	1,565,525
Other	560,920	547,481	531,186	522,510	550,430
Intergovernmental	13,606,650	11,752,711	11,592,676	11,843,908	13,019,744
Licenses, fees, and permits	486,331	475,833	476,972	477,344	452,629
Earnings (loss) on investments (3,5)	295,125	739,859	499,919	190,055	438,068
Sales and charges for services (7)	193,553	185,682	182,075	188,806	186,325
Fines, forfeitures, and penalties	152,728	171,161	181,216	168,240	184,950
Gaming	89,512	86,326	86,507	85,535	80,455
Tobacco settlement	99,975	100,765	149,125	101,067	99,130
Proceeds from sale of trust land (6)	123,483	86,319	225,659	137,405	95,500
Other (8)	545,846	300,436	169,119	297,065	164,658
Total Revenues	28,895,879	26,399,107	26,596,084	25,969,821	26,560,222
EXPENDITURES					
Current:					
General government (7)	843,159	750,163	812,770	838,776	933,313
Health and welfare	14,388,149	12,643,455	12,216,622	12,029,530	12,818,468
Inspection and regulation	158,495	161,318	160,636	153,947	153,718
Education	5,857,390	5,572,414	5,369,538	5,332,141	5,467,695
Protection and safety	1,402,225	1,360,387	1,349,146	1,351,251	1,288,577
Transportation (4)	700,080	687,798	683,607	745,306	820,417
Natural resources	189,302	193,043	194,714	202,677	191,429
Intergovernmental revenue sharing	2,966,400	2,778,299	2,685,168	2,473,535	2,459,934
Debt service:					
Principal	560,497	493,592	412,617	386,027	383,591
Interest and other fiscal charges	270,872	312,024	329,773	344,903	357,754
Capital outlay (4)	783,926	829,630	765,339	769,716	824,417
Total Expenditures	28,120,495	25,782,123	24,979,930	24,627,809	25,699,313
Excess (Deficiency) of Revenues Over Expenditures	775,384	616,984	1,616,154	1,342,012	860,909

Fiscal Year				
2010, as restated	2009	2008	2007, as restated	2006
$ 5,017,977	$ 5,429,453	$ 6,278,181	$ 6,527,968	$ 6,313,090
2,805,426	3,137,794	4,174,966	4,629,220	4,535,492
332,893	370,073	413,333	358,205	248,122
31,417	32,564	36,732	43,736	43,035
1,585,919	1,672,151	1,802,572	1,828,701	1,857,293
535,435	574,030	559,440	529,629	575,946
13,562,547	11,316,023	9,499,419	8,313,720	8,019,509
425,526	410,002	447,090	442,236	410,069
422,564	(318,321)	135,879	510,253	247,250
203,725	154,671	167,329	158,318	162,048
224,000	203,337	167,309	183,923	138,354
77,554	84,140	94,004	94,771	84,794
105,394	125,571	115,587	90,258	86,231
78,564	143,674	-	-	-
230,223	253,868	263,443	264,440	269,411
25,639,164	23,589,030	24,155,284	23,975,378	22,990,644
923,977	913,266	966,512	879,519	861,373
13,054,472	11,959,640	10,874,581	9,679,226	8,995,430
157,461	174,633	184,451	173,897	157,401
5,702,963	6,031,605	6,240,862	5,983,513	5,302,942
1,417,428	1,460,692	1,447,372	1,358,439	1,247,508
584,363	608,631	630,283	524,318	373,603
175,568	220,030	242,893	185,592	178,832
2,574,539	2,764,776	3,026,563	2,863,218	2,661,894
288,172	235,971	261,228	220,473	261,277
286,027	238,430	210,856	195,317	176,933
1,291,341	1,295,530	1,106,951	992,000	1,066,815
26,456,311	25,903,204	25,192,552	23,055,512	21,284,008
(817,147)	(2,314,174)	(1,037,268)	919,866	1,706,636

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year				
	2015	2014	2013	2012, as restated	2011
OTHER FINANCING SOURCES (USES)					
Transfers in	856,446	904,261	782,420	821,072	862,040
Transfers out	(1,392,301)	(1,397,332)	(1,256,408)	(1,323,778)	(1,574,406)
Proceeds from sale of trust land (6)	-	-	-	-	-
Proceeds from sale of capital assets	259	900	1,636	1,815	3,712
Capital lease and installment purchase contracts	1,025	113,914	15,158	8,166	4,583
Proceeds from notes and loans	783	29,130	51,550	9,541	11,113
Refunding bonds issued	754,285	-	837,340	455,900	-
Payment to refunded bond escrow agent	(900,813)	-	(954,372)	(560,228)	-
Bonds issued	-	-	194,295	259,460	180,000
Refunding grant anticipation notes issued	-	-	-	43,825	-
Grant anticipation notes issued	-	-	-	-	158,585
Refunding certificates of participation issued	-	305,675	62,630	-	-
Payment to refunded certificates of participation escrow agent	-	(310,059)	(42,096)	-	-
Certificates of participation issued	-	-	-	-	150,110
Premium on debt issued	149,554	6,770	136,210	90,753	42,291
Total Other Financing Sources (Uses)	(530,762)	(346,741)	(171,637)	(193,474)	(161,972)
NET CHANGE IN FUND BALANCES	$ 244,622	$ 270,243	$ 1,444,517	$ 1,148,538	$ 698,937
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	3.0%	3.2%	3.1%	3.1%	3.0%

(1) This schedule reports using the modified accrual basis of accounting.
(2) Increase in tobacco tax revenue from fiscal year 2006 to fiscal year 2007 primarily due to Proposition 203, implemented December 2006.
(3) Increase from fiscal year 2006 to fiscal year 2007 primarily due to increase in Land Endowment fair market value of investments, larger cash balances available to invest, and market interest rates.
(4) For fiscal year 2006, transportation expenditures were reduced and capital outlay was increased by $302,375 for addition of capital assets that were previously recorded as transportation expenditures.
(5) In fiscal year 2008, the Greater Arizona Development Authority Fund was reclassified from a special revenue fund to a component unit. Fiscal year 2007 earnings on investments has been restated to reflect this change.
(6) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."
(7) In fiscal year 2010, amounts were restated as a result of implementing GASB Statement No. 54.
(8) Fiscal year 2012 other revenues was restated as a result of an agency fund being reclassified to a special revenue fund.

Fiscal Year				
2010, as restated	2009	2008	2007, as restated	2006
1,106,250	1,248,267	897,771	910,605	812,083
(1,872,212)	(2,168,964)	(1,874,084)	(1,784,833)	(1,585,754)
-	-	249,970	199,089	284,293
3,088	2,127	28,233	10,162	11,118
187,836	4,056	23,556	132,985	3,543
32,628	23,139	19,529	-	-
-	-	82,880	-	596,160
-	-	(86,547)	-	(646,689)
425,420	621,050	563,950	325,000	118,250
-	-	-	-	-
-	55,420	68,000	-	-
-	-	-	-	-
-	-	-	-	-
998,795	580,035	238,990	-	-
77,709	70,083	48,972	26,201	59,711
959,514	435,213	261,220	(180,791)	(347,285)
$ 142,367	$ (1,878,961)	$ (776,048)	$ 739,075	$ 1,359,351
2.3%	1.9%	2.0%	1.9%	2.2%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Fiscal Year					
	2015	2014	2013	2012	2011	2010
CLASSIFICATION (5)						
Transporting (2)	$ 57,588	$ 54,981	$ 41,324	$ 52,137	$ 41,555	$ 41,990
Mining, oil and gas	111,808	116,678	115,775	105,614	96,514	102,900
Mining severance	994,478	1,047,580	1,193,176	1,623,111	1,609,451	1,164,231
Utilities	9,856,234	9,923,490	9,900,238	9,474,521	9,394,361	9,354,244
Communications	2,565,400	2,965,233	3,061,730	3,190,962	2,853,538	3,618,208
Private car and pipelines	6,498	5,616	6,250	1,186	1,908	1,640
Publishing	106,357	101,751	84,673	92,505	98,343	103,681
Job printing	259,672	321,225	235,349	252,603	266,564	236,985
Restaurants and bars	12,053,486	11,085,652	10,544,419	9,996,825	9,311,826	9,020,795
Amusements	1,252,514	1,096,945	1,051,581	1,037,059	994,092	1,051,919
Commercial lease (3)	6	2	2	1	2	141
Personal property rentals	3,453,882	3,355,048	3,254,822	3,257,588	3,056,386	3,127,828
Contracting	10,653,405	11,269,503	10,092,876	9,543,335	8,983,261	9,311,612
Retail	58,463,542	55,257,510	51,276,108	48,178,714	45,898,838	42,913,933
MRRA amount (8)	26,816	-	-	-	-	-
Hotel/motel	2,675,510	2,334,373	2,221,059	2,156,864	2,039,283	1,949,718
Rental occupancy tax (7)	-	-	-	(3)	43	(62)
Use tax	5,659,094	4,749,508	5,186,464	5,302,844	4,610,921	5,464,504
Use tax-utilities (6)	48,070	62,511	10,283	10,022	10,040	(35,594)
Membership camping (7)	-	-	-	-	1	10
Total	$ 108,244,360	$ 103,747,606	$ 98,276,129	$ 94,275,888	$ 89,266,927	$ 87,428,683
Direct sales tax rate (4)	5.60%	5.60%	6.60%	6.60%	6.60%	5.60%

(1) Net taxable sales are based upon tax receipts.
(2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."
(3) Commercial lease rate dropped to 0% effective July 1, 1997.
(4) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2006 through 2010, 2014 and 2015. The sales tax rate was 6.6% for fiscal years 2011 through 2013. For fiscal years 2006 through 2015, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severance was 2.5%, and the jet fuel and jet fuel use tax was $.0305 per gallon. The hotel/motel tax rate was 5.5% for fiscal years 2006 through 2010, 2014 and 2015. The hotel/motel tax rate was 6.5% for fiscal years 2011 through 2013. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate by one percentage point beginning June 1, 2010 and ending May 31, 2013, which is reflected in this table.
(5) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.
(6) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2006 through 2008 were reported beginning in fiscal year 2008.
(7) Effective November 1, 2006, membership camping and rental occupancy were repealed.
(8) MRRA - Maintenance, Repair, Replacement or Alteration projects.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2015 and prior.

Fiscal Year			
2009	2008	2007	2006
$ 37,920	$ 48,713	$ 43,351	$ 59,801
175,743	216,675	255,531	321,538
729,482	1,752,522	1,743,361	1,219,984
9,236,366	9,237,779	8,609,034	7,679,982
2,928,433	3,669,683	3,513,667	3,220,062
7,743	16,021	19,679	25,751
102,457	122,652	129,681	133,680
307,581	391,038	397,802	403,686
9,094,485	9,663,959	9,619,785	8,933,459
1,053,048	1,146,344	1,086,364	998,767
1	(443)	(2)	(120)
3,552,696	3,995,697	3,927,824	3,633,374
14,882,706	20,156,299	22,415,051	20,487,917
46,174,068	52,626,993	55,009,403	53,147,971
-	-	-	-
2,117,242	2,405,705	2,411,634	2,268,776
(25)	(2,669)	1,065	3,471
5,882,942	6,837,880	6,091,507	6,155,959
38,653	12,461	12,154	16,582
11	52	12	2,785
$ 96,321,552	$ 112,297,361	$ 115,286,903	$ 108,713,425
5.60%	5.60%	5.60%	5.60%

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STATE OF ARIZONA
SCHEDULE 6
SALES TAX REVENUE PAYERS BY CLASSIFICATION
CURRENT YEAR AND NINE YEARS AGO
(Expressed in Thousands)

	Fiscal Year 2015		Fiscal Year 2006	
	Tax Collections	Percentage of Total	Tax Collections	Percentage of Total
CLASSIFICATION				
Transporting	$ 2,879	0.05 %	$ 2,984	0.05 %
Non-metal mining, oil and gas	3,494	0.06	10,022	0.17
Mining severance	24,862	0.41	30,440	0.50
Timbering severance - ponderosa (1)	-	-	33	-
Utilities	492,812	8.17	382,991	6.35
Communications	128,270	2.13	160,610	2.66
Private car and pipelines	325	0.01	1,284	0.02
Publishing	5,318	0.09	6,666	0.11
Job Printing	12,984	0.22	20,136	0.33
Restaurants and bars	602,674	10.00	445,591	7.39
Amusements	62,626	1.04	49,829	0.83
Commercial lease (2)	-	-	(4)	-
Personal property rentals	172,693	2.86	181,224	3.01
Contracting	532,708	8.84	1,017,224	16.88
Retail	2,923,177	48.47	2,650,934	43.98
MRRA amount (4)	1,341	0.02	-	-
Hotel/motel	147,153	2.44	124,483	2.07
Rental occupancy tax (1)	-	-	104	-
Use tax utilities	2,403	0.04	828	0.01
Use tax	281,144	4.66	306,199	5.08
License fees	840	0.01	1,039	0.02
Membership camping (1)	-	-	139	-
Jet fuel tax	3,948	0.07	6,060	0.10
Jet fuel use tax	672	0.01	724	0.01
Non sufficient funds	72	-	1	-
Telecommunications service assistance	-	-	(263)	-
Mandatory EFT fees	546	0.01	-	-
Education tax (3)	626,401	10.39	628,471	10.43
Total	$ 6,029,342	100.00 %	$ 6,027,749	100.00 %

(1) Effective November 1, 2006 these rates were repealed.
(2) Commercial lease rate dropped to 0% effective July 1, 1997.
(3) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are non-metal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification; rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.
(4) MRRA - Maintenance, Repair, Replacement or Alteration projects

Source: Arizona Department of Revenue Annual Reports for fiscal years 2015 and 2006.

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY (3)
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31					
	2014	2013	2012	2011	2010	2009
CLASSIFICATION						
Farm earnings	$ 1,155,792	$ 1,265,407	$ 838,149	$ 986,598	$ 537,775	$ 415,586
Forestry and fishing	503,882	452,846	454,547	440,489	437,051	413,290
Mining	1,412,101	1,417,060	1,384,690	1,223,284	996,532	967,718
Utilities	1,658,782	1,572,265	1,542,179	1,581,577	1,524,831	1,552,827
Construction	10,062,829	9,602,367	8,943,763	8,295,293	8,404,395	9,501,698
Manufacturing	14,095,554	13,613,799	13,570,855	13,032,386	12,403,418	12,357,432
Wholesale trade	8,687,046	8,540,660	8,758,218	8,188,350	7,861,098	7,952,813
Retail trade	13,369,873	12,491,888	12,504,874	12,316,131	11,649,145	11,542,983
Transportation and warehousing	5,477,916	5,292,565	5,193,321	4,948,388	4,563,008	4,575,730
Information	3,819,863	3,465,480	3,116,565	2,926,787	2,825,917	3,047,084
Finance and insurance	13,326,833	12,311,052	11,230,845	10,426,744	9,884,023	9,453,310
Real estate, rental, and leasing	4,059,589	3,797,928	4,741,526	4,111,488	3,239,757	3,100,084
Professional and technical services	13,835,937	13,350,344	13,023,667	12,551,710	11,801,237	12,076,361
Managing companies/enterprises	3,110,448	2,841,364	2,505,461	2,291,182	2,193,738	2,462,194
Administrative and waste services	10,599,902	9,957,852	9,240,229	8,854,837	8,522,260	8,707,357
Educational services	3,001,497	2,908,293	2,963,587	2,745,004	2,589,823	2,333,676
Health care and social assistance	21,543,014	20,818,802	20,228,349	19,681,806	18,964,490	18,164,486
Arts, entertainment, and recreation	2,173,428	1,997,265	1,890,923	1,694,718	1,671,411	1,619,892
Accommodation and food services	6,828,111	6,402,038	6,188,423	5,848,103	5,569,987	5,570,360
Other services, except public administration	6,570,369	6,147,963	6,060,887	5,628,164	5,392,701	5,381,320
Government and government enterprises	30,074,436	29,580,073	29,312,391	28,927,720	28,679,464	28,547,342
Other (1)	79,725,726	75,829,552	77,498,737	74,219,567	69,483,714	66,321,222
Total	$ 255,092,928	$ 243,656,863	$ 241,192,186	$ 230,920,326	$ 219,195,775	$ 216,064,765
Average effective rate (2)	1.47%	1.42%	1.41%	1.34%	1.31%	1.12%

(1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.

(2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.

(3) Personal income estimates for years 2005 through 2013 were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis and Arizona Department of Revenue Annual Report.

Calendar Year Ended December 31			
2008	2007	2006	2005
$ 660,325	$ 837,247	$ 709,433	$ 994,693
408,317	457,453	461,631	399,051
1,326,946	991,202	854,763	677,482
1,566,139	1,455,783	1,325,521	1,150,823
13,110,247	15,562,946	16,395,985	13,912,787
13,699,896	13,674,920	13,432,145	12,365,657
8,566,548	8,624,381	7,718,890	6,990,167
12,327,789	13,128,380	12,816,987	11,678,494
4,837,443	5,055,292	4,797,771	4,291,039
3,120,325	3,067,970	3,063,223	2,900,864
9,801,188	10,409,468	10,282,521	9,477,950
3,922,054	3,858,585	4,683,954	4,388,068
13,136,870	12,490,540	11,469,765	9,884,137
2,470,198	2,426,609	2,020,026	1,650,697
9,567,920	9,617,313	9,208,807	8,142,287
2,075,080	1,844,838	1,706,338	1,565,536
17,594,905	16,010,696	14,677,313	13,076,104
1,693,891	1,659,932	1,608,229	1,409,468
5,928,434	6,014,942	5,624,322	5,141,305
5,502,130	5,782,401	5,597,351	4,900,222
28,488,923	26,957,426	25,039,926	23,302,238
66,768,059	61,668,461	56,608,395	51,058,558
$ 226,573,627	$ 221,596,785	$ 210,103,296	$ 189,357,627
1.14%	1.54%	1.75%	1.93%

STATE OF ARIZONA
SCHEDULE 8
PERSONAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31				
	2014	2013	2012	2011	2010
AVERAGE EFFECTIVE RATE (3)					
Personal Income Tax Revenue (1)	$ 3,761,764	$ 3,463,266	$ 3,398,902	$ 3,099,177	$ 2,870,565
Personal Income (2)	255,092,928	243,656,863	241,192,186	230,920,326	219,195,775
Average Effective Rate (3)	1.47%	1.42%	1.41%	1.34%	1.31%
TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)					
$0 - $10	2.59%	2.59%	2.59%	2.59%	2.59%
$10 - $25	2.88%	2.88%	2.88%	2.88%	2.88%
$25 - $50	3.36%	3.36%	3.36%	3.36%	3.36%
$50 - $150	4.24%	4.24%	4.24%	4.24%	4.24%
$150 and over	4.54%	4.54%	4.54%	4.54%	4.54%

(1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
(2) Personal income is reported on a calendar basis. Years 2005 through 2013 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
(3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
(4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house.

Source: Arizona Department of Revenue Annual Reports/Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA
SCHEDULE 9
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
FOR THE TAXABLE YEARS 2012 AND 2005 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2012			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
FEDERAL ADJUSTED GROSS INCOME LEVEL (3)				
$50 and under	1,822,168	67.11%	$ 438,961	13.09%
$50 - $100	556,719	20.50%	722,977	21.55%
$100 - $500	321,602	11.84%	1,326,538	39.53%
$500 and over	14,840	0.55%	866,498	25.83%
Total	2,715,329	100.00%	$ 3,354,974	100.00%

(1) The taxable year 2012 is the most recent year for which data is available, and combines the number of filers of the Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns.
(2) Liability, as reported on Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns for tax year 2012, filed from January 2013 forward (or 2005, filed from January 2006 forward).
(3) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

Source: Arizona Department of Revenue Annual Reports.

Calendar Year Ended December 31				
2009	2008	2007	2006	2005
$ 2,423,215	$ 2,575,453	$ 3,414,304	$ 3,666,923	$ 3,651,576
216,064,765	226,573,627	221,596,785	210,103,296	189,357,627
1.12%	1.14%	1.54%	1.75%	1.93%
2.59%	2.59%	2.59%	2.73%	2.87%
2.88%	2.88%	2.88%	3.04%	3.20%
3.36%	3.36%	3.36%	3.55%	3.74%
4.24%	4.24%	4.24%	4.48%	4.72%
4.54%	4.54%	4.54%	4.79%	5.04%

Taxable Year Ended December 31, 2005			
Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,679,552	68.61%	$ 473,940	13.40%
509,349	20.81%	709,542	20.07%
242,518	9.91%	1,148,106	32.47%
16,366	0.67%	1,204,255	34.06%
2,447,785	100.00%	$ 3,535,843	100.00%

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year					
	2015	2014, as restated	2013	2012	2011	2010
GOVERNMENTAL ACTIVITIES:						
Revenue bonds	$ 3,141,190	$ 3,406,195	$ 3,606,720	$ 3,593,420	$ 3,529,115	$ 3,522,605
Grant anticipation notes	194,670	247,710	296,240	335,230	392,495	304,480
Certificates of participation	2,030,805	2,200,675	2,360,595	2,495,825	2,611,255	2,571,125
Capital leases (3)	408,784	423,513	360,316	391,184	400,540	412,919
Installment purchase contracts	349	-	-	177	245	901
Notes payable	22,179	89,865	105,817	55,666	59,891	60,712
Premiums and discounts on debt	492,048	427,865	474,747	396,465	342,602	334,721
Deferred amount on refundings (2)	-	-	(19,945)	(813)	(1,221)	(5,197)
Total Governmental Activities	6,290,025	6,795,823	7,184,490	7,267,154	7,334,922	7,202,266
BUSINESS-TYPE ACTIVITIES:						
Revenue bonds	2,675,430	2,302,035	2,237,710	1,942,755	1,742,125	1,692,825
Certificates of participation	637,986	676,345	714,735	756,980	812,706	840,719
Capital leases	168,960	132,957	135,519	163,637	167,841	171,448
Installment purchase contracts	2,805	4,098	5,758	8,397	10,511	13,043
Notes payable	-	-	-	12,643	292	360
Premiums and discounts on debt	231,178	130,315	123,051	87,993	41,393	39,705
Deferred amount on refundings (2)	-	-	(46,096)	(33,391)	(20,875)	(23,100)
Total Business-type Activities	3,716,359	3,245,750	3,170,677	2,939,014	2,753,993	2,735,000
Total Primary Government	$ 10,006,384	$ 10,041,573	$ 10,355,167	$ 10,206,168	$ 10,088,915	$ 9,937,266
Debt as a Percentage of Personal Income (1)	3.9%	4.1%	4.3%	4.4%	4.6%	4.6%
Amount of Debt per Capita (1)	$ 1,487	$ 1,513	$ 1,579	$ 1,577	$ 1,573	$ 1,567

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 23 for personal income and population data. These ratios are calculated using personal income and population data for the calendar year that ends during that fiscal year. For example, fiscal year 2014 contains data for the calendar year ending December 31, 2013.
(2) Implementation of GASB Statement No. 65 in fiscal year 2014 required the amortization of deferred amount on refundings to be reported as deferred outflow of resources.
(3) For fiscal year 2014, capital leases related to private prisons were restated due to a correction of an error.

	Fiscal Year			
	2009	2008	2007	2006
$	3,251,580	$ 2,759,070	$ 2,328,840	$ 2,106,700
	329,650	298,280	282,860	325,430
	1,649,870	1,135,640	959,865	1,020,810
	236,125	249,876	242,209	129,808
	6,343	8,908	10,644	6,815
	42,668	22,838	3,309	-
	285,613	242,816	225,071	219,958
	(9,171)	(13,145)	(14,266)	(17,832)
	5,792,678	4,704,283	4,038,532	3,791,689
	1,239,675	902,255	868,565	802,600
	872,829	903,843	935,127	946,766
	175,453	179,052	166,780	113,388
	16,418	13,024	9,544	10,279
	674	1,022	1,354	-
	43,112	38,211	39,582	38,331
	(25,294)	(27,711)	(29,211)	(21,606)
	2,322,867	2,009,696	1,991,741	1,889,758
$	8,115,545	$ 6,713,979	$ 6,030,273	$ 5,681,447
	3.6%	3.0%	2.9%	3.0%
$	1,292	$ 1,089	$ 1,000	$ 973

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

	Total Principal Outstanding Debt Limit (1)			
Fiscal Year	Debt Limit	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit
2015	$ -	$ -	$ -	- %
2014	-	-	-	-
2013	-	-	-	-
2012	-	-	-	-
2011	-	-	-	-
2010	-	-	-	-
2009	-	-	-	-
2008	-	-	-	-
2007	-	-	-	-
2006	1,300,000	1,223,425	76,575	94.11

(1) As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the $1.3 billion debt limit is eliminated from ARS §28-7510. The general effective date of this change was September 21, 2006. Prior to September 21, 2006, Arizona Revised Statutes restricted the total principal amount of Arizona Highway Revenue Bonds that could be outstanding at any time, excluding refunded bonds, from exceeding $1.3 billion.

STATE OF ARIZONA
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2015	$ 2,044,231	$ 163,538	$ 106,300	$ 57,238	5.20 %
2014	1,844,828	147,586	107,000	40,586	5.80 %
2013	1,710,909	136,873	94,100	42,773	5.50 %
2012	1,612,000	128,960	80,600	48,360	5.00 %
2011	1,606,250	128,500	77,100	51,400	4.80 %
2010	1,894,737	151,579	108,000	43,579	5.70 %
2009	1,865,385	149,231	97,000	52,231	5.20 %
2008	2,017,544	161,404	115,000	46,404	5.70 %
2007	1,880,769	150,462	97,800	52,662	5.20 %
2006	1,724,528	137,962	91,400	46,562	5.30 %

(1) For fiscal years 2006 through 2015, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, 2014-2016, 2015-2017, 2016-2018, and 2017-2019 capital improvement plans, respectively.

(2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
UNIVERSITY OF ARIZONA
FOR THE LAST NINE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2015	$ 1,856,098	$ 148,488	$ 76,100	$ 72,388	4.10 %
2014	1,739,216	139,137	88,700	50,437	5.10
2013	1,683,019	134,642	89,200	45,442	5.30
2012	1,611,765	128,941	82,200	46,741	5.10
2011	1,556,364	124,509	85,600	38,909	5.50
2010	1,817,647	145,412	92,700	52,712	5.10
2009	1,681,818	134,545	92,500	42,045	5.50
2008	1,681,132	134,491	89,100	45,391	5.30
2007	1,657,971	132,638	114,400	18,238	6.90

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007 through 2015, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019 capital improvement plans, respectively.
(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 14
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST NINE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2015	$ 514,673	$ 41,174	$ 22,800	$ 18,374	4.43 %
2014	485,265	38,821	24,700	14,121	5.09
2013	453,039	36,243	24,600	11,643	5.43
2012	427,586	34,207	24,800	9,407	5.80
2011	405,109	32,409	22,200	10,209	5.48
2010	423,601	33,888	28,000	5,888	6.61
2009	419,448	33,556	28,900	4,656	6.89
2008	430,360	34,429	27,500	6,929	6.39
2007	410,811	32,865	30,400	2,465	7.40

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007 through 2015, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, 2014-2016, 2015-2017, 2016-2018, and 2017-2019 capital improvement plans, respectively.
(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 15
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2015	$ 566,352	$ 61,660	$ 75,937	$ 137,597	4.1
2014	537,768	58,485	80,495	138,980	3.9
2013	512,971	60,540	78,198	138,738	3.7
2012	392,648	67,885	71,113	138,998	2.8
2011	504,175	71,770	83,960	155,730	3.2
2010	502,874	68,140	87,661	155,801	3.2
2009	509,183	64,190	89,825	154,015	3.3
2008	658,616	60,645	75,538	136,183	4.8
2007	635,140	57,825	73,785	131,610	4.8
2006	624,408	54,830	62,222	117,052	5.3

(1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.
(2) Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2009 is net of $66 million, 2010 is net of $44 million, and 2011 is net of $45 million distribution to the State General Fund.

STATE OF ARIZONA
SCHEDULE 16
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2015	$ 254,871	$ 70,940	$ 32,652	$ 103,592	2.5
2014	243,786	58,600	44,988	103,588	2.4
2013	227,800	55,870	47,721	103,591	2.2
2012	216,281	55,460	48,129	103,589	2.1
2011	206,545	45,970	42,496	88,466	2.3
2010	199,672	33,315	38,225	71,540	2.8
2009	219,165	13,825	17,193	31,018	7.1
2008	253,742	19,045	10,673	29,718	8.5
2007	262,264	-	-	-	N/A
2006	316,491	80,375	1,566	81,941	3.9

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

STATE OF ARIZONA
SCHEDULE 17
PLEDGED-REVENUE COVERAGE
SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service Principal	Interest	Total	Coverage
2015	$ 626,401	$ 57,920	$ 6,274	$ 64,194	9.76
2014	601,854	46,720	9,575	56,295	10.69
2013	567,824	43,680	13,487	57,167	9.93
2012	542,395	41,405	22,804	64,209	8.45
2011	514,346	39,215	25,088	64,303	8.00
2010	504,391	37,230	27,074	64,304	7.84
2009	558,900	35,420	28,885	64,305	8.69
2008	645,828	33,810	30,498	64,308	10.04
2007	666,184	31,055	31,893	62,948	10.58
2006	628,471	34,480	30,052	64,532	9.74

(1) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.
(2) Principal does not include sinking fund deposits of $1,270 each year, beginning in fiscal year 2003 and ending in fiscal year 2007, that will be sufficient to retire bonds with a par amount of $6,350 upon maturity, in fiscal year 2016. Additionally, principal does not include sinking fund deposits of $1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018, that will be sufficient to retire bonds with a par amount of $20,000 upon maturity, in fiscal year 2018.

STATE OF ARIZONA
SCHEDULE 18
PLEDGED-REVENUE COVERAGE
SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Interest	Total	Coverage
2015	$ 53,241	$ 19,380	$ 3,911	$ 23,291	2.29
2014	57,345	19,275	4,971	24,246	2.37
2013	49,645	18,315	5,933	24,248	2.05
2012	39,155	17,400	6,846	24,246	1.61
2011	42,191	16,535	7,714	24,249	1.74
2010	38,147	15,710	8,539	24,249	1.57
2009	72,263	15,105	9,143	24,248	2.98
2008	72,263	14,470	8,400	22,870	3.16
2007	72,263	13,980	11,524	25,504	2.83
2006	72,263	13,440	12,061	25,501	2.83

(1) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed $72,263. Expendable trust revenues in excess of $72,263 must be deposited in the Classroom Site Fund.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
LOTTERY REVENUE BONDS
FOR THE LAST FIVE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2015	$ 172,108	$ 18,305	$ 19,194	$ 37,499	4.59
2014	174,374	17,445	20,055	37,500	4.65
2013	174,373	16,790	20,710	37,500	4.65
2012	96,200	-	20,709	20,709	4.65
2011	96,200	-	21,630	21,630	4.45

(1) No debt service payments were due prior to fiscal year 2011.
(2) Pledged revenues consist of lottery revenue deposited to the Lottery Fund net of operating expenses of the lottery.

STATE OF ARIZONA
SCHEDULE 20
PLEDGED-REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Net Payments (Receipts) On Swap Agreements	Debt Service Total	Coverage
2015	$ 1,300,624	$ 45,650	$ 50,246	$ 3,393	$ 99,289	13.10
2014	1,161,306	44,770	43,623	3,507	91,900	12.64
2013	1,047,661	33,965	41,477	3,631	79,073	13.25
2012	977,828	31,215	39,560	3,612	74,387	13.15
2011	876,770	28,595	35,051	3,791	67,437	13.00
2010	782,727	26,975	33,003	3,716	63,694	12.29
2009	702,797	21,555	21,896	3,692	47,143	14.91
2008	638,707	19,135	16,682	2,448	38,265	16.69
2007	580,102	17,125	21,339	186	38,650	15.01
2006	505,890	14,625	17,313	-	31,938	15.84

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2015	$ 1,567,859	$ 1,374,458	$ 193,401	$ 21,575	$ 37,732	$ 59,307	3.26
2014	1,400,095	1,261,247	138,848	22,600	38,250	60,850	2.28
2013	1,356,478	1,199,559	156,919	21,895	34,556	56,451	2.78
2012	1,226,227	1,126,649	99,578	17,375	31,480	48,855	2.04
2011	1,215,062	1,056,408	158,654	24,720	28,571	53,291	2.98
2010	1,128,091	962,469	165,622	23,860	24,593	48,453	3.42
2009	1,044,354	911,440	132,914	22,725	15,437	38,162	3.48
2008	1,113,954	1,005,572	108,382	21,235	14,978	36,213	2.99
2007	982,559	899,084	83,475	17,440	14,166	31,606	2.64
2006	897,706	836,657	61,049	12,355	13,433	25,788	2.37

(1) Gross Revenues and Direct Operating Expenses include current operating unrestricted funds since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses are interest, depreciation, and amortization.

(2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA
SCHEDULE 22
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

Fiscal Year	(1), (2), (3) Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2015	$ 303,860	$ 6,500	$ 20,310	$ 26,810	11.33
2014	283,468	6,615	17,305	23,920	11.85
2013	263,733	6,610	15,474	22,084	11.94
2012	246,098	5,835	15,028	20,863	11.80
2011	220,538	24,310	14,712	39,022	5.65
2010	198,197	6,545	10,912	17,457	11.35
2009	164,877	6,570	7,383	13,953	11.82
2008	143,733	10,455	6,628	17,083	8.41
2007	136,100	9,610	5,943	15,553	8.75
2006	129,608	10,310	6,603	16,913	7.66

(1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.

(2) Fiscal year 2011 includes debt defeasance of $18.7 million.

(3) Fiscal year 2013 gross revenue was revised by NAU in fiscal year 2014.

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STATE OF ARIZONA
SCHEDULE 23
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate (4)
2014	6,731,484	$ 255,092,928	$ 37,895	6.3
2013	6,634,997	243,656,863	36,723	7.1
2012	6,556,236	241,192,186	36,788	7.7
2011	6,472,867	230,920,326	35,675	8.6
2010	6,411,999	219,195,775	34,185	9.6
2009	6,343,154	216,064,765	34,063	10.6
2008	6,280,362	226,573,627	36,077	7.8
2007	6,167,681	221,596,785	35,929	4.2
2006	6,029,141	210,103,296	34,848	3.6
2005	5,839,077	189,357,627	32,429	4.2

(1) These are midyear population estimates of the U.S. Bureau of the Census.
(2) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census.
(3) Population and personal income estimates were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
(4) Unemployment rates were revised to reflect revisions made by the Office of Employment and Population Statistics.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
U.S. Bureau of the Census (also for population).
Office of Employment and Population Statistics at Arizona Department of Administration (for unemployment rate).

STATE OF ARIZONA
SCHEDULE 24
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Calendar Year Ended December 31, 2014			Calendar Year Ended December 31, 2005		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank (1)	Percentage of Total State Employment
State of Arizona	48,910	1	1.64 %	49,958	1	1.73 %
Wal-Mart Stores Inc.	32,438	2	1.06	28,246	2	0.98
Banner Health	30,266	3	0.84	19,250	3	0.67
City of Phoenix	14,875	4	0.50	13,844	4	0.48
Wells Fargo	14,126	5	0.49	11,533	6	0.40
Maricopa County	13,341	6	0.42	13,002	5	0.45
Intel Corp.	11,700	7	0.39	-	-	-
Scottsdale Lincoln Health Network	10,500	8	0.37	-	-	-
Honeywell	10,000	9	0.37	10,700	8	0.37
JPMorgan Chase & Co.	9,600	10	0.37	-	-	-
U.S. Postal Service	-	-	-	11,000	7	0.38
Raytheon Co.	-	-	-	10,300	9	0.36
Total	195,756		6.45 %	167,833		5.82 %

(1) The 10th rank is not available.

Source: Phoenix Business Journal, Book of Lists 2015 and 2006 for employers.

STATE OF ARIZONA
SCHEDULE 25
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year					
	2015	2014	2013	2012	2011	2010
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	98.8	98.8	97.8	104.0	104.0	104.0
Arizona State Retirement System	246.9	246.9	233.9	236.0	236.0	236.0
Department of Revenue	880.8	861.8	860.3	935.0	935.0	863.0
All other	2,308.6	2,229.6	2,214.4	2,427.6	2,646.5	2,746.5
Health and welfare:						
Department of Economic Security (2)	3,882.6	5,654.1	5,453.5	3,726.0	3,726.0	4,201.0
Department of Child Safety (2)	3,045.1	-	-	-	-	-
Arizona Health Care Cost Containment System	2,208.3	2,217.3	2,217.3	1,407.3	1,423.0	1,484.0
Department of Health Services	1,176.7	1,176.7	1,176.7	1,513.3	1,513.3	1,538.6
All other	949.6	946.6	946.6	1,098.5	954.5	966.5
Inspection and regulation	1,650.4	1,643.9	1,649.8	1,801.2	1,807.7	1,820.7
Education:						
Universities	15,635.7	15,607.7	15,478.7	16,964.2	15,754.2	15,664.5
All other	840.9	838.9	834.4	886.5	896.0	972.4
Protection and safety:						
Department of Corrections	9,534.0	9,384.0	10,118.2	10,015.2	10,015.2	9,755.9
Department of Juvenile Corrections	738.5	738.5	738.5	1,001.7	1,001.7	1,050.7
Department of Public Safety	1,907.7	1,904.7	1,903.7	2,139.8	2,081.8	2,099.8
All other	97.6	95.6	90.1	112.6	117.9	118.4
Department of Transportation	4,548.0	4,548.0	4,548.0	4,548.0	4,548.0	4,548.0
Natural resources	730.5	716.5	716.5	930.2	937.2	956.7
Total	50,480.7	48,909.6	49,278.4	49,847.1	48,698.0	49,126.7

(1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.

(2) The change in fiscal year 2015 full-time equivalent employees was primarily the result of a division within the Department of Economic Security being established as the Department of Child Safety.

Source: The Appropriations Report. Includes only those positions funded by appropriated funds approved in the Executive Budget.

Fiscal Year			
2009	2008	2007	2006
110.0	110.0	110.0	110.0
236.0	235.0	231.0	221.0
1,164.0	1,164.0	1,148.0	1,146.0
2,989.2	2,999.2	2,957.5	2,898.6
4,201.0	4,099.2	3,874.4	3,953.7
-	-	-	-
1,635.8	1,629.0	1,617.3	1,583.5
1,699.1	1,702.1	1,680.4	1,735.5
981.5	981.5	859.9	858.5
1,943.1	1,930.1	1,853.7	1,827.3
17,353.5	17,138.8	16,975.0	16,419.5
1,003.4	1,001.4	969.0	913.8
9,932.5	9,755.9	9,726.9	9,726.9
1,163.7	1,163.7	1,195.7	1,160.5
2,114.8	2,108.8	2,065.8	1,901.8
134.9	133.9	125.4	127.4
4,748.0	4,744.0	4,703.5	4,649.0
1,009.7	1,007.7	967.3	926.9
52,420.2	51,904.3	51,060.8	50,159.9

STATE OF ARIZONA
SCHEDULE 26
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year						
	2015	2014	2013	2012	2011	2010	2009
FUNCTIONS/PROGRAMS							
General government:							
Number of tax returns received (in millions)	5.7	5.7	5.5	5.4	5.4	5.2	5.7
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,709,550	1,508,690	1,318,650	1,314,210	1,392,810	1,392,420	1,282,910
Average monthly number of recipients of temporary assistance for needy families	27,272	32,888	39,050	39,194	44,842	82,127	83,969
Average monthly number of persons receiving food stamp benefits	1,027,845	1,070,674	1,116,068	1,123,068	1,049,522	986,413	752,772
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	65.4	70.6	66.5	67.9	66.4	75.2	84.0
Incident rate per 100 full-time workers (3)	3.2	3.5	3.4	3.5	3.5	3.7	3.9
Education:							
Public school enrollment, grades K-12 (4)	1,098,701	1,084,276	1,077,703	1,066,740	1,062,200	1,068,987	1,062,618
Protection and safety:							
Number of miles patrolled by the Highway Patrol	N/A	19,222,811	18,914,572	19,465,944	19,953,766	21,275,292	21,987,920
State prison adult inmate population (5)	42,611	41,773	40,273	39,877	40,181	40,477	39,628
Transportation:							
Number of registered vehicles (6)	7,694,309	7,453,046	7,180,797	6,823,906	6,839,659	6,740,536	6,692,834
Number of driver licenses issued (7)	N/A	1,188,903	1,159,695	1,184,630	1,196,675	1,241,977	1,246,358
Natural resources:							
Game and Fish Department's license and tag sales (8)	N/A	822,923	848,617	815,488	826,385	874,442	874,363
Universities:							
University full-time equivalent students (9)	148,819	141,264	136,884	134,051	129,653	122,734	118,743
Unemployment compensation:							
Number of initial unemployment claims filed	229,770	257,951	261,418	288,097	311,472	363,189	396,755
Industrial Commission special fund:							
No-insurance awards issued	1,599	1,303	1,618	1,365	882	1,781	2,244
Number of vocational rehabilitation awards issued	125	170	136	125	132	128	103
Lottery:							
Total lottery sales (in millions)	$ 750.0	$ 723.9	$ 692.9	$ 646.7	$ 583.5	$ 551.5	$ 484.5
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (10)	-	-	6,370	7,080	8,260	10,760	14,560

N/A = Not available

(1) Some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.

(2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002.

(3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2015 contains data for the calendar year ending December 31, 2014. One hundred full-time workers represent 200,000 hours worked (100 times 40 hours per week times 50 weeks per year).

(4) These enrollment counts represent a head count of all active enrollments on October 1st of each school year. The fiscal years above contain data for the academic year that occurs during that fiscal year. For example, fiscal year 2015 contains data from the October 1, 2014 enrollment figures. Starting with the 2008-09 school year, due to federal requirements, new business rules were used to calculate enrollment, so that counts are unduplicated. Prior to this, the counts are not unduplicated counts; concurrently enrolled students are counted as having an active membership in each school. Also, there was a change in data collection in 2003. From 2003 to 2008, concurrent enrollments in technology schools are included, which may additionally overstate aggregated enrollment figures.

(5) Beginning in 2007, the state prison inmate population on the 2 Year Prison Population Trend Report excludes the inmate count from the county jail. For fiscal years 2006 and prior, the number includes both the county jail and the outside count of inmates. Fiscal year 2015 total is as of June 30.

(6) Count represents the total number of vehicles registered as of the end of the fiscal year.

(7) Count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30.

(8) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2015 contains data for the calendar year ending December 31, 2014.

(9) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2015 contains data for the fall 2014 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.

(10) Approximate number of members enrolled as of June 1. Healthcare Group ceased operations on December 31, 2013.

Sources: The State Departments of Transportation, Public Safety, Corrections, Education, Game and Fish, Economic Security, Revenue, the Industrial Commission of Arizona, Arizona Lottery, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

Fiscal Year		
2008	2007	2006
5.6	5.5	5.5
1,136,585	1,075,125	1,065,444
80,221	82,408	93,553
600,549	537,072	546,424
101.8	99.4	97.0
4.6	4.6	4.9
1,132,963	1,106,207	1,084,247
21,881,034	20,282,212	19,703,282
38,897	37,088	34,864
6,733,610	6,608,726	6,318,402
1,200,227	1,266,973	1,205,068
896,143	940,223	897,159
113,092	110,580	107,765
226,772	185,397	161,869
2,748	3,265	2,744
118	133	124
$ 472.9	$ 462.2	$ 468.7
21,646	26,914	21,600

STATE OF ARIZONA
SCHEDULE 27
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year						
	2015	2014	2013	2012	2011	2010	2009
FUNCTIONS/PROGRAMS							
Protection and safety:							
Number of adult prison facilities (2)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (1)	6,800	6,800	6,751	6,751	6,722	6,789	6,753
Number of bridges (1)	4,798	4,787	4,754	4,754	4,741	4,700	4,648
Natural resources:							
State Trust acres	9,217,704	9,223,617	9,223,873	9,302,256	9,252,495	9,258,071	9,259,296
Universities:							
Number of facilities (3)	1,705	1,212	1,705	1,711	1,740	1,737	1,670
Gross square feet (in thousands) (3)	41,141	44,658	41,141	39,933	37,967	37,589	37,186

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, and business-type activity functions.

(1) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report.
(2) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
(3) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, Corrections, and the Universities.

Fiscal Year		
2008	2007	2006
10	10	10
6,785	6,817	6,922
4,637	4,648	4,676
9,260,253	9,262,781	9,267,377
1,669	1,663	1,002
36,000	34,946	20,154

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